SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- The Group's turnover for the year was RMB21,728 million (2022: RMB23,003 million), decreased by 5.54% year on year
- Profit for the year attributable to owners of the Company was RMB626 million (2022: RMB1,117 million), decreased by 43.96% year on year
- Basic earnings per share for the year was RMB0.0891 (2022: RMB0.1590), decreased by 43.96% year on year
- The Board recommended the payment of a final dividend of HK$0.0491 per share (equivalent to approximately RMB0.0445 per share) (2022: HK$0.0623, equivalent to approximately RMB0.0557) for the year ended 31 December 2023 to the shareholders

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the annual results of Sinofert Holdings Limited (the "Company", together with its subsidiaries, the "Group") and its subsidiaries for the year ended 31 December 2023.

In 2023, the year when economic development resumed after the gradual relaxation of the COVID-19 prevention and control measures, the steady growth policy continued to gain effect, and the economy enjoyed a stable and positive start. However, after entering the second quarter, the manufacturing PMI index fell below the threshold value, casting shadow on the economic outlook. Internationally, the US dollar interest rate remained high and the Palestinian-Israeli conflict continued to increase the investor sentiment towards the US dollar, the RMB exchange rate against the US dollar fell, and import cost was under pressure. Prices of our key products continued to show a downward trend in the first half of the year, falling by approximately 30% from the peak in the same period, and prices of some products were even lower than the level in 2021. In the second half of the year, affected by regional conflicts, shipping disruptions in the Red Sea, and the gradual increase of market demand, prices showed a rebound, but were still on a stable yet weaker note by the end of the year. In the face of the complex and changing external environment, the Group adheres to the drive of scientific and technological innovation, and officially launch the "Bio+" strategy for the future development of "navigation direction"; Through comprehensive strategic transformation, we cultivated the ability of stable operation, riding the wave of industry cycles, hedging market risks, insisting on sustainable development, and effectively copes with the adverse market environment. In 2023, the Group recorded a net profit of RMB684 million, representing a year-on-year decrease of 39%, mainly due to the Group's associate, Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan"), was shut down due to policy, and the Group recorded impairment of interests in an associate and credit losses on financial guarantees issued totaling RMB523 million. Excluding the impact of this event, the Group achieved a net profit of RMB1,207 million, representing a year-on-year increase of 7.3%. The Group's various operating indicators were in good position, with a sound balance sheet, sufficient cash flow and strong risk resilience.

In 2023, the Group firmly promoted the implementation of the "Bio+" strategy, adhered to scientific and technological innovation, and attained high-quality growth for its Growth Business Segment. As for its bio-compound fertilizer business, the Group continued to make use of IPD integrated management system to develop high-end single product, accelerate the transformation of biological products, Lanlin, Yaxin, Kedefeng and other new products had remarkable results. By creating a 6P marketing system to support product promotion, we established an efficient procurement, production and marketing operation planning system to deepen the capacity potential of the Company, and strengthened the coordination of internal and external supply sources, pushing our core performance indicators to reach new highs. For the special fertilizer business, we accelerated the promotion of biological formulation and soil health products, and further improved the management quality and profitability. For the plant protection and seed business, we made full use of the synergy between internal and external suppliers, and constantly optimized the product structure, recording continued growth in both volume and profit. In 2023, the Growth Business Segment recorded a revenue of RMB7,845 million and profit before taxation of RMB239 million.

The Production Segment continues to practice the concept of green development, focuses on improving quality, reducing cost, increasing efficiency, strictly implementing internal control and management, and continues to promote technical transformation and innovation to firmly build the foundation of stability, longevity and excellence. At the same time, we overcome adverse factors such as large fluctuations in raw materials and product prices, make full use of resource advantages, and maintain good profitability. Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") has broken through the bottleneck of phosphoric acid production, enabling steady increase in comprehensive capacity utilization rate of its production facilities. In 2023, the revenue of the Production Segment amounted to RMB2,549 million, and the cumulative contribution of profit before taxation was RMB506 million.

In 2023, the Group strictly implemented the requirements of national policies, practiced the responsibilities of state-owned enterprises, strengthened the acquisition of prime resources, reduced the cost of fertilizers for farmers, and completed the work of maintaining supply and stabilizing prices with high quality by continuously consolidating the cooperative relationship with strategic suppliers. For the potash business, we improved the multi-product agricultural potassium management system with "Fenghexiang" as the core, accurately grasped the new trends and new opportunities, strengthened the core customer system, and further consolidated our industry leading position. For the phosphate business, we adhered to the strategic procurement capacity as the core, deeply collaborated with investee and holding companies, accelerated the innovation and transformation of bio-phosphate fertilizers, continued to build the "Meilinmei" brand of bio-phosphate fertilizer, and effectively made its breakthrough in the high-purity phosphorus operation. The Basic Business Segment achieved revenue of RMB11,334 million and profit before taxation of RMB678 million for the year.

As we steadily increased investment in R&D, our scientific and technological research and development capabilities have been continuously enhanced, and the R&D capabilities in the "Bio+" underlying technology have been initially formed with respect to plant physiology, molecular biology, and synthetic biology, with research and analysis throughput increasing by 40%. We engaged "chief scientists" and established scientific research teams and built joint laboratories by focusing on the key directions of the "Bio+" strategy such as nutrient efficiency, biological formulations and soil health. In 2023, the R&D results transformed into 1.079 million tons of end-products, representing an increase of 16.6% over the same period last year, among which the transformation of key new products such as Kedefeng, Youliangmei and the third generation of Meilinmei exceeded 250,000 tons; five of these R&D technologies, including the green and efficient soil health product formulation, won the "Sinochem 2023 Science and Technology Award".

In the face of a complex and changing market environment, the Board of Directors of the Company has always insisted on adherence to the goal of maximizing shareholder value, continuously improving corporate governance and optimizing the management system. In accordance with the Corporate Governance Code of the Stock Exchange, the Company's Board of Directors held four regular meetings in 2023, at which the Company's annual report, interim report, strategies and planning and other significant matters were reviewed and approved. Meanwhile, the Board also reviewed and approved other matters such as connected transactions, continuing connected transactions and significant business through other means. The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board had all fulfilled their respective duties and rights as delegated by the Board on such matters as improving internal control, optimizing the remuneration and incentive systems and perfecting the corporate governance structure.

In 2024, the world geopolitics, exchange rate fluctuations, import and export policies, and food prices will bring substantial risks and challenges to the production, import and distribution of the fertilizer industry. However, with the gradual recovery of China's economy, the capacity of grain production, circulation and storage will be further enhanced, and with the implementation of the national policy on food safety and promotion of high-quality agricultural development, especially the "14th Five-Year Plan" for bioeconomy development which clearly points out the goal of each bioeconomy development stage, by 2025, bioeconomy will become a strong driving force for high-quality development, bio-fertilizers will enter a stage of rapid development with further expansion of market scale. The Group, relying on Syngenta Group's strong scientific and technological resources as well as the domestic R&D and industrialization platform, will have ample room for development of its "Bio+" strategy.

In 2024, the Group will continue to fulfill its role as a central enterprise and strictly implement the national policies on ensuring supply and price stability of fertilizers as well as food safety. The Group will also continue to promote the implementation of the "Bio+" strategy, improve the utilization of fertilizer nutrients, reduce carbon emission and promote healthy soil development through scientific and technological innovation. Firmly driven by the promotion of "Bio+" products, the bio-compound fertilizer business will focus on the promotion of single products for nutrient efficiency, biological formulations and soil health, and achieve growth in volume and scale. By closely coordinating the three responsibilities of state-owned enterprise, the potash fertilizer business will strengthen the cooperation and stickiness with suppliers and customers while ensuring supply and price stability, creating differentiated products, and increasing sales and upholding its brand premium. For the phosphate business, the Company will strengthen strategic procurement, ensure stable supply, optimize channels and customers, focus on the marketing of bio-phosphate fertilizer and high-purity phosphorus, so as to make bigger contribution in volume and profit. For the special fertilizer business, the Company will constantly adjust the product structure, take nutrient efficiency as the cornerstone, focus on biologics and soil health as the two wings, and build its comprehensive competitiveness and influence in the industry. For the plant protection and seed business, the Company will take advantage of internal and external coordination, break through the field market, expand the key economic crop market, improve channel coverage and market share, and continue its growth in volume and profit contribution. The Production Segment will vigorously promote the comprehensive improvement of HSE with the establishment of FORUS system: nurturing of star enterprises, in-depth integration of its system into the industry, and comprehensive improvement of HSE. At the same time, it will build diversified factories focusing on refined chemicals and upgrading of industry chain, accelerate the cultivation and development of new quality productivity, so as to achieve low-carbon, green and high-quality development.

Last but not least, on behalf of the Board of Directors, I would like to extend our deep appreciations and sincere thanks to the shareholders and customers of the Company. We hope to have your continuous attention and support in the future. We expect the management members and staff of the Company will bear in mind the original mission of working for the welfare of Chinese farmers and the transformation of the Chinese agriculture industry, feel confident but always be aware of difficulties, work with determination and unite with one heart, together we can forge ahead and continuously make contribution to the development of the Group.

MANAGEMENT REVIEW AND PROSPECT

Business Environment in 2023

In 2023, the global economic slowdown has led to weaker demand for agricultural products, while regional geopolitical conflicts, US dollar interest rate hikes, extreme weather and other factors have worsened the situation, and energy and fertilizer prices continued their downward adjustment in a wider range. The Chinese Government comprehensively worked out the spirit of the 20th National People's Congress, clearly adhered to the overall keynote of seeking progress while maintaining stability, and introduced series of policies to stabilize growth. These include: Reducing the reserve requirement ratio twice by the central bank and lowering the reserve requirement ratio by a total of 0.5 percentage point; cutting the loan prime rate (LPR) twice, with the one-year LPR down from 3.65% to 3.45%; guidelines on promoting the development and growth of the private economic sector were launched, which stimulated a rebound of the economy. The GDP grew by 5.2% year-on-year, and the main growth targets were achieved.

In 2023, the fertilizer market was affected by the international and domestic environment, and market conditions of major raw materials and fertilizer products such as potash fertilizer, phosphate fertilizer and nitrogen fertilizer fluctuated with increasing market risks. In order to further promote the steady and healthy development of China's fertilizer industry, the Chinese government issued a series of policies and guarantee mechanisms to ensure the stability of the fertilizer market and adequate supply of fertilizers by stabilizing the supply, unblocking the end-market network, adjusting commercial reserves and import and export tariffs, implementing export legal inspections and other policies, which provided a strong support for the fertilizer business. At the same time, it practically assured the agricultural production of spring cultivation, effectively raised the motivation of farmers to grow grains, and secured the food safety of the country.

In the face of complex and changing economic and market environment, the Group will firmly promote its strategic transformation to become a "biofertilizer and soil health innovation leader". Under the leadership of the Board of Directors, the Company will continue to fulfill its role as a state-owned enterprise and insist on scientific and technological innovation as the core drive. The bio-compound fertilizer business will be driven by differentiated product promotion, 6P marketing system support, and tapping of the capacity potential of the holding enterprise. For potash fertilizer business, we will actively fulfill our role as a state-owned enterprise to maintain supply and stabilize prices of potash fertilizer and realize the trend of growth by strengthening strategic procurement and in-depth cultivation of sales channels, and further consolidate our leading position in the industry. For the phosphate business, we will adhere to the strategic procurement, continue to promote the transformation and upgrading of biological fertilizers, build the "Meilinmei" brand of bio-phosphorus fertilizer, make breakthroughs in the high-purity phosphate operation, to achieve high-quality growth in performance. For the special fertilizer business, biological formulations and soil health products will be developed rapidly with further improvement in management quality and profitability. For the plant protection and seed business, we will make full use of the synergy between internal and external suppliers, constantly optimize the product structure, and create big single products, so as to report continuous growth of business volume and profit contribution. The Production Segment will promote the comprehensive improvement of HSE with the establishment of FORUS system: nurturing of star enterprises, in-depth integration of its the system into the industry, and comprehensive improvement of HSE. At the same time, diversified factories focusing on refined chemicals and upgrading of industry chain will be built, so as to achieve low-carbon, green and high-quality development.

Financial Performance

For the year ended 31 December 2023, the Group's revenue amounted to RMB21,728 million. Profit attributable to owners of the Company amounted to RMB626 million.

Research and Development

In 2023, focusing on the "Bio +" strategy and relying on national and provincial R&D platforms such as the " National Engineering Research Center for Cultivated Land Protection" and "Scientific and Technological Innovation Alliance for Fertilizer Reduction and Efficiency Improvement", the Group built on and continued to improve its "Bio +" R&D capabilities, targeting at key biotechnology, and launched key products such as Kedefeng and Youcuilu. At the same time, in order to strengthen the research platform and team building, the Group engaged three chief scientists from the Chinese Academy of Sciences, China Agricultural University and Chinese Academy of Agricultural Sciences to respectively lead the three research and development directions of biotechnology, soil health and nutrient efficiency. In terms of "Bio +" R & D capability building, the application of plant physiology, molecular biology and crop metabolic pathways enabled our rhizosphere soil microorganism and other analytical capabilities to improve by > 30%, and 6 sets of biotechnology R & D models were newly developed/optimized. In terms of key technology research, four key technologies, including biological nitrogen fixation and synthetic biological product A, have made phased progress and entered into the stage of technology application research. During the year, our R&D results were transformed into 1.079 million tons of new products, representing an increase of 16.6% over the same period last year.

In the future, the Group will continue to strengthen the building of "Bio +" R&D capacity to enhance the R&D output, empower our research and development work with focus on biotechnology, soil health and other key directions. The Group will recruit high-level scientific research personnels and nurture existing high-potential research and development personnels, and strengthen the installation of high-output, digital software and hardware. Through the integrated mechanism of research, production and marketing, the Group will continue to accelerate the development, industrial transformation and promotion of key "Bio +" products.

Production and Manufacturing

In 2023, Sinochem Yunlong Co., Ltd. ("Sinochem Yulong") overcame adverse factors such as sharp decline in product prices and strived to stabilize production and focus on operation with strict management, while reducing costs and seeking development under the continuous HSE efforts. The company tightened its internal control and management, continued process innovation, stabilized production and strengthened sales promotion, enhanced quality and improved efficiency, so as to achieve new highs in operating performance. The company recorded a net profit of RMB287 million, an increase of RMB12 million year-on-year. Sinochem Yunlong has always implemented the concept of high-quality development, committed to the development of advanced and applicable green and low-carbon technology, and achieved efficient utilization of phosphorus (P) and fluorine (F); comprehensively merged together the five development concepts of innovation, coordination, green, openness and sharing, and has built up a green ecological industrial system for the development of a circular economy, stabilizing the existing high-phosphorus feed calcium (MCP, MDCP) production, creating an internationally competitive fine phosphate (salt) flexible manufacturing platform, which became a plant and animal nutrition production base and achieved 100% comprehensive utilization of phosphogypsum. In 2023, the Green Factory Project of Sinochem Yunlong was awarded the Bloomberg ESG Leading Enterprise Award - Leading Environmental Project Award.

In 2023, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan") overcame the impact of market price fluctuations of upstream raw materials and downstream products, improved quality and efficiency, enhanced its risk-resistant capacity, and strengthened the industrial foundation to achieve safe operation and higher yield, exceeding the production target and maintaining robust earnings. The company made breakthroughs in green development, energy saving and carbon reduction, and has strategically cooperated with third party to explore green electricity carbon reduction, and all the power generated from the project has been provided to Sinochem Changshan for production use, reducing its operating costs by approximately RMB3 million annually, and carbon dioxide was recycled to achieve carbon reduction and efficiency improvement. The company was awarded the title of Excellent Industrial Enterprise 2023 by Songyuan municipal government.

In the face of complex market environment, Sinochem Fuling paid close attention to production and operation in 2023 by focusing on the core of the whole production system and the critical issue of "phosphoric acid operation rate". The company strived to carry out technical research on stabilizing and improving production, with the aim of eliminating defects and making rectification, optimizing equipment and process. All the production devices have completed the 72-hour performance assessment and reached the design requirements, and the capacity utilization rate has been improved gradually. The overall capacity utilization rate of the installations throughout the year was 85.59%, which was higher than the budgeted target. The company produced 873,600 tons of salt fertilizer and finished acid products, up by 316% over the corresponding period in 2022 and achieved a net profit of RMB53.5 million, up by 327% over the corresponding period in 2022. At the same time, multiple measures were taken to improve quality and efficiency, and total cost was reduced by RMB146 million for the year, with a completion rate of 159%. The company was awarded the title of "Chongqing Smart Factory" by Chongqing Economic and Information Commission in 2023 and became the only "Chongqing Smart Factory" in Fuling District. In the future, Sinochem Fuling will continue to promote high-end, intelligent and green factory operation through a series of equipment and technology upgrading, including software and hardware, setting a benchmark in the industry.

Potash Fertilizer Operations

In 2023, the global potash supply gradually recovered, the international and domestic potash prices fell significantly in the first half of the year, and the trend of oversupply accelerated. The Group has been actively playing the role of the main channel for imports to safeguard the "price depression" status of the imports of domestic potash, continuously improving the diversified import system covering major international potash suppliers and consolidating the cooperative relationship with international suppliers to safeguard the supply of domestic potash. The Group optimized the procurement and shipping coordination, further improved the channel marketing system centered on "Fenghexiang", and developed a variety of "Bio+" and efficiency-enhancing potassium fertilizer products in response to the market demand and offered to the market. At the same time, the Group strengthened the terminal agrochemical services to enhance the efficiency of the utilization of potassium fertilizers and promote the reduction of volume and increase of efficiency.

Phosphate Fertilizer Operations

The Group gave full play to its strategic procurement advantages and actively expanded overseas markets and timely imported domestic scarce high-grade phosphate ores, sulfur and other resources to meet production needs despite the tight supply of domestic phosphate ore and the suspension and reduction of production at some plants. We also started to adjust the value of our phosphate fertilizer operations to provide integrated solutions to cater for the most concerned upstream and downstream demand. The"Meilinmei" series of bio-phosphorus fertilizer products have been upgraded to the third generation, which further enhanced the utilization rate of phosphate fertilizers, safeguarded soil health and saved upstream phosphate resources while helping farmers to increase production and harvest, achieving stable profit contribution, increasing customer value and further consolidated our position as a leading distributor of phosphate fertilizers in the domestic market. The Company actively explored and promoted the extension of the business chain of phosphate fertilizers., steadily increased its market share in the fields of agricultural irrigation, new energy, fine phosphorus chemicals, etc. to attain its sustainable development goal.

Bio-compound fertilizers

Under the lead of the "Bio +" strategy, the Group adhered to differentiated product management and continued to deepen the adjustment of product structure. In 2023, the sales volume of differentiated compound fertilizers was 1.34 million tons, up by 11.05% over the corresponding period in 2022. Focusing on operation resources, the Group continued to deepen the setting up of product system and adjustment of product structure, strived to develop core single products of bio-compound fertilizers, and launch to the market a range of core products with outstanding features and brand influence, as represented by Lanlin, Yaxin, Kedefeng, Weigeshi, etc. Driven by the dual wheels of brand publicity and technology-based marketing, the Group carried out marketing activities by focusing on core big single product, and accelerated the promotion of bioproducts, with steady growth in both volume and profit. Through repeated modification of the development model and targeted research and precise judgement of the market, as well as upgrading of capacity building, the Group gradually established a more comprehensive operating system integrating procurement, production and marketing to support business development and achieve excellent synergy effect in production and marketing, which improved efficiency of our internal operation. The plant utilization rate, conformance to specification rate and order satisfaction rate of the compound fertilizer plant maintained at satisfactory level, reducing operation costs, lowering market risks and creating value for shareholders. The market influence of the Group's bio-compound fertilizer brand have been increasing.

Special Fertilizers

In line with our goal of green and sustainable agricultural development, the Group continued to invest in the research and development of special fertilizers and their production capacity, forming more complete research, production and marketing system and production capacity layout. The special fertilizer business focuses on the strategy of biological formulations and soil health and the creation of core products, improves the operation quality of Linyi special fertilizer base, and actively promotes the integrated business of water and fertilizer. In 2023, steady growth in revenue, gross profit, sales volume and EBITDA of this business segment was achieved. We completed the construction of a 100,000-ton special fertilizer production base in Linyi City, Shandong Province, which was smoothly put into production, and the output and sales of products for the year increased by 28% and 25% respectively, laying a strong foundation for more efficient R&D and results transformation and better customer service. We will continue to focus on enhancing operation efficiency and improving product quality. The sales volume of self-developed bio-stimulants (Youcuilu and Youliangmei) grew rapidly as our targeted promotion met with a good response, with revenue up by 48%. While meeting the demand of farmers to improve quality and increase production, saving time and labor, our brand influence continued to expand. The sales volume of soil health products increased by 59% year-on-year, and the market share in the application of soil secondary nutrients kept its leading position, as we promote the arable land quality enhancement. During the year, the Group continued to steadily expand the business development of water and fertilizer integration based on remote communication and remote control technology, with the number of projects and revenue up by 25% over the corresponding period in 2022.We also continued to improve the capacity in design and implementation of various agricultural forms such as high-standard farmland, greenhouse and landscape farming, etc.

Business Collaboration

In 2023, in an effort to fully implement the synergistic development requirements of Sinochem Holdings Corporation Ltd. ("Sinochem Holdings"), and promote cross-business synergistic development, the Group carried out comprehensive synergies among various business units. Plant protection and seed business maintained stable and efficient development, and the business volume of the synergistic innovative products "Lanlin Guanwushuang" and "Yaxin Ruikeming" gradually expanded. The revenue from seed collaboration amounted to RMB35.82 million, up 181% year-on-year. 64 species in rice, corn, vegetables, wheat and other crops, including 16 exclusive species were developed. In terms of production research and development, we invited research, development, soil health and other teams of Syngenta Group to Linyi Center for scientific research exchange and established a Plant Protection and Nutrition Research Institute under the Central Research Institute of Sinofert with Syngenta Group's research team, with the aim of accelerating the high-quality development of the Group's synergistic business with plant protection and seeds.

Digital Service Innovation

In 2023, the Group continued to promote free soil testing services, provide technical guidance for field activities, organize online and offline technical seminars, and work on the protection of rights and anti-counterfeiting, as well as integration of quality resources. More than 400 technical service personnel worked on the field all year round and conducted activities such as technical training, soil testing and formula-based fertilization and also gave field guidance to safeguard farmers' planting and production, so as to provide them with a full range of crop planting technical solutions and promote the use of good seeds and good planting methods. The Group carried out more than 60,000 activities in relation to comprehensive technical services. With the themes of "Food Security for Prosperity of Families and the Country" and "Peasant Affluence Brings Good Harvest", we organized "Bountiful Harvest" crop harvest celebration and other activities. Through online and offline immersive interactions, agricultural technology experts accurately explained on crucial issues of crop planting and solutions, such campaigns covering multiple topics effectively reached more than 300,000 farmers online and offline, with new media reaching more than 10 million viewers. By fully integrating the advantages of biotechnology, teaching planting technology to farmers and combining soil improvement with fertilizer application, the Group explored new modes of scientific fertilizer application which improved the soil environment and reduced the amount of pesticide and fertilizer application, which promoted biotechnology empowerment to green and sustainable agriculture for the efficient development of the agricultural industry.

Internal Control and Management

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

In 2023, the Group fully implemented the requirements of State-owned Assets Supervision and Administration Commission for the construction and supervision of internal control of state-owned enterprises, improve the internal control management system and mechanism, implement the supervisory responsibilities of the Board of Directors for the internal control system, and improve the quality of the Company. The Group strengthened its system construction, revised and published 172 systems and the 2023 version of the rights and responsibilities manual, continued to improve the internal control system, and restructured the organizational structure in 2023 to ensure the smooth and orderly development of operation and management. The Group strived to empower, support and safeguard the fulfillment of needs of the "Bio +" strategic transformation and business development. The Group continued to promote compliance culture through various means, such as compliance talks by business leaders, professional department trainings, systematic monthly meetings of finance and risk responsible personnel, daily WeChat promotion of internal control and compliance management experience, and management at all levels were encouraged to build a safe operating environment in a scientific manner. The Group actively created a benign compliance control culture for "steady operation and healthy development". By focusing on the incorporation of compliance and risk management requirements into business process, strengthening informatization and enhancing accountability of each business unit, the Group actively explored differentiated mechanisms of internal risk control and management for different business units. The Group continued to carry out risk identification work, monitor major risks, and comprehensively investigate operational risk incidents with focus on the establishment of long-term mechanisms.

In 2023, the internal control and management of the Group met the compliance requirements of domestic and foreign regulatory agencies and ensured compliance and healthy development of our business. The Group's internal control and management function actively enabled, supported and assured that its business development adapt to changes in the market and operating environment, provided support for the strategic transformation of the Company, reasonably protected the interests of shareholders of the Group and asset safety, and improved the quality of operation and strategy implementation.

Social Responsibility

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

The Group strictly implemented the requirements of the Central Committee and the State Council and other superior authorities on guaranteeing supply and stabilizing prices and ensured the supply of fertilizers in the domestic market by increasing the import of potash fertilizer, keeping commercial reserves of fertilizers, and increasing factory production. At the same time, the Group took advantage of its capital base, warehousing facilities, logistics, etc., actively launched products to the market, and actively called on downstream customers to make available their supply through various publicity channels, thereby fulfilling the responsibilities of our role as a state-owned enterprise.

Throughout 2023, the Group continued to provide crop technology solutions to farmers, and conducted experiments in more than 3,000 trial and demonstration fields surrounding the "Double Reductions and Increasing Efficiency" initiative, more than 8,000 planting technology training sessions and over 3,000 demonstration sessions were held through a combination of online and offline methods, and more than 100,000 copies of online and offline technical solutions were circulated, directly benefiting more than 7 million farmers.

In order to solve the issue of lacking arable land, the Group implemented the strategic concept of "storing food in the ground" to support the high-quality development of agriculture, and protected the bottom line of food safety by taking the lead in launching the "Houpu Soil Health+" service platform, with the vision of "making every inch of arable land fertile soil for harvest" and the mission of "raising the potential of soil health" and the goal of building a soil health digital hospital. The objective of "Houpu Soil Health+" is to promote sustainability and commercialization of crop plantation by making use of digitalization and innovation as drivers, focusing on the implementation of five sure-win measures, namely the creation of an open and innovative platform for soil health, a soil health indicator system, soil health product and technology system, diversified service channels and an online and offline service platform within the open ecological circle, which together would provide our customers with diagnostic soil health assessments, soil health enhancement services and sustainable soil health management services. In 2023, a set of soil health indicator system and a number of other soil health solutions applicable to different scenarios have been formed, nearly 100 soil health service centers have been established in 17 provinces across the country, successful practices have been reported in many areas such as mine reclamation, forest land restoration, efficient utilization of saline-alkali land, and soil health improvement of special economic crops, and the service has increased arable land area by more than 20,000 mu, demonstrating strong market vitality. The Group also successfully held the first Soil

Health and Regenerative Agriculture Forum, which helped in promoting its brand influence. The Houpu soil health strategy aims to solve the arable land problems and promote the sustainability of agriculture and food safety, so as to offer a direction for the high-quality development of the agricultural industry and help the overall realization of rural revitalization.

Business Outlook for 2024

In 2024, against the backdrop of continued geopolitical conflicts and high inflation, uncertainties and challenges of the global economic environment will still exist as affected by trade protectionism and reshaping of the global industry chain and supply chain after the COVID-19 pandemic. China's economic growth target for the period of the 14th Five-Year Plan is to "maintain within a reasonable range". At the same time, benefited from the world's most promising mega market, the economic recovery in China will be supported by its macro policies, injecting strong impetus to comprehensively deepen reform and opening up, and the new round of revolution on global scientific and technological and industrial transformation offers new opportunities for the emergence of factors and conditions to support high-quality development, and the more stable domestic economic environment will help fertilizer prices to be maintained within a reasonable range.

In 2024, the Central Rural Work Conference stressed that "ensuring a stable and safe supply of food and important agricultural products is always the top priority for building a strong agricultural country, and we must ensure the production of food and important agricultural products, stabilize the grain sown area, and promote the increase of grain yield per unit of large area of land" to accelerate the modernization of agriculture and rural areas and better promote the Chinese style modernization. On the other hand, the Central Economic Work Conference stressed the need to strengthen the dual-wheel drive of science and technology and reform, strengthen the measures to increase farmers' income, establish a big agricultural concept and a big food vision, and build agriculture into a modern industry of great significance. As a leading enterprise in China's "biofertilizer and soil health innovation" process, the Group will focus on the needs of crop yield and quality improvement, soil health, burden relief and efficiency improvement and carbon and pollution reduction, continue to enrich the biofertilizer product portfolio with scientific and technological innovation, and constantly improve the technology, product and service system to meet the differentiated needs of farmers, and enhance agricultural production efficiency. The Group will strive to make contribution to the implementation of the national food security strategy and secure the initiative on food security.

"As long as you are willing to persevere, you can reach your destination". In 2024, the Group will uphold and carry forward the "spirit" of Sinochem Holdings in the new era, firmly maintains the belief in entrepreneurship, be confident and keeping a clear mind, be firm in the face of difficulties, comprehensively continue to promote the "Bio +" strategy, to become the leader of bio-fertilizer and soil health innovation, and actively implement the national policy of ensuring supply and stabilizing prices. The Company will adhere to the drive of scientific and technological innovation and industrial upgrading, give full play to the advantages of the integration of research, production and marketing, accelerate the cultivation and development of new quality productivity, consolidate the capacity for sustainable growth, focus on the key segments of quality and efficiency improvement and aim at operational excellence, continue to create value for shareholders and strive to promote the sustainable and healthy development of agriculture in China, so as to support China's transformation from a large agricultural country to a strong agricultural country.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2023, the Group recorded sales volume of 7.24 million tons, up by 4.86% over the year ended 31 December 2022. The Group's revenue was RMB21,728 million, down by 5.54% over the year ended 31 December 2022. For the year ended 31 December 2023, the Group attained gross profit of RMB2,260 million, down by 12.3% over the year ended 31 December 2022. Profit attributable to owners of the Company was RMB626 million, down by 43.96% over the year ended 31 December 2022. Without taking into account the impact of the recognition of the impairment of the closure of Yangmei Pingyuan due to policy, the profit attributable to owners of the Company amounted to RMB1,149 million for the year ended 31 December 2023, representing a slight increase of 2.86% as compared with the year ended 31 December 2022.

I. OPERATION SCALE

(I) Sales volume

For the year ended 31 December 2023, the Group recorded sales volume of 7.24 million tons, up by 4.86% over the year ended 31 December 2022. The year 2023 was a year of economic recovery after the successful control and fading of the COVID-19 pandemic. Affected by local geopolitical conflicts, global inflation and restrictive financial policies, the exchange rate fluctuated widely throughout the year, and the government successively introduced policies to maintain growth, and the overall economic recovery was still weak. In the face of complex and changing external environment, the Group firmly promoted the launch of the " Bio+" strategy, adhered to scientific and technological innovation as the core driving force, and built an integrated product R&D system of "nutrient efficiency, biological formulations, and soil health". A series of new biofertilizer and soil health products were launched and well marketed, and the strategic transformation began to take effect. At the same time, we strictly controlled costs and expenditure, focused on quality improvement and efficiency enhancement, comprehensively strengthened the foundation of high-quality development, and enhanced our market competitiveness and brand influence.

The Group attached great importance to scientific and technological R&D, engaged "chief scientists" to establish a joint laboratory, and the R&D team followed the direction of "biofertilizer and soil health", conducted research on key biotechnologies such as plant physiology, molecular biology, and synthetic biology applications, and rapidly built up the "Bio+" R&D capabilities, with two science and technology progress awards and three patent awards of Sinochem Holdings granted in 2023. For the year ended 31 December 2023, the total sales volume of the Group's various differentiated products was 1.66 million tons, up by 12.84% over the corresponding period in 2022. Of which, sales volume of differentiated compound fertilizers was 1.34 million tons, up by 11.05% over the corresponding period in 2022.

(II) Revenue

For the year ended 31 December 2023, the Group recorded revenue of RMB21,728 million, down by RMB1,275 million or 5.54% compared with the year ended 31 December 2022, mainly resulting from a decrease in average selling price.

Table 1:

	For the year ended 31 December			
	2023		2022	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Compound fertilizers	**6,583,711**	**30%**	6,477,592	28%
Phosphate fertilizers	**5,638,764**	**26%**	5,767,023	25%
Potash fertilizers	**5,250,381**	**24%**	4,027,895	18%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**1,246,150**	**6%**	1,530,881	7%
Special fertilizers	**581,406**	**3%**	393,400	2%
Nitrogen fertilizers	**311,101**	**1%**	3,057,428	13%
Others	**2,116,607**	**10%**	1,748,482	7%
Total	**21,728,120**	**100%**	23,002,701	100%

(III) Revenue and results by segment

The Group's business divisions are set up on the basis of supporting the "Bio+" strategy and are divided into three segments, namely Basic Business Segment, Growth Business Segment and Production Segment. The Basic Business Segment is responsible for procurement and sales of potash fertilizer, phosphate fertilizer and sulphur; the Growth Business Segment is responsible for production, procurement and sales of Bio-compound fertilizers, special fertilizers, crop protection and seeds; and the Production Segment is responsible for production and sales of fertilizers and MCP/DCP.

Below sets forth an analysis of the Group's revenue and results by operating segment for the year ended 31 December 2023 and the year ended 31 December 2022:

Table 2:

	For the year ended 31 December 2023				
	Basic Business	**Growth Business**	**Production**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Revenue					
External revenue	**11,333,844**	**7,845,131**	**2,549,145**	**–**	**21,728,120**
Internal revenue	**1,898,126**	**2,907,604**	**2,376,219**	**(7,181,949)**	**–**
Segment revenue	**13,231,970**	**10,752,735**	**4,925,364**	**(7,181,949)**	**21,728,120**
Segment profit	**678,099**	**239,001**	**506,147**	**–**	**1,423,247**

	For the year ended 31 December 2022				
	Basic Business	Growth Business	Production	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External revenue	12,994,444	7,441,296	2,566,961	–	23,002,701
Internal revenue	2,548,105	2,913,016	881,731	(6,342,852)	–
Segment revenue	15,542,549	10,354,312	3,448,692	(6,342,852)	23,002,701
Segment profit	720,070	194,272	516,173	–	1,430,515

Certain comparative amounts in segment information have been adjusted to conform to current period presentation.

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

For the year ended 31 December 2023, the external revenue of the Group decreased by RMB1,275 million or 5.54% over the year ended 31 December 2022, mainly resulted from a decrease in average selling price.

For the year ended 31 December 2023, the segment profit of the Group was RMB1,423 million. The Basic Fertilizers Segment recorded a profit of RMB678 million in 2023 by consolidating long-term strategic cooperation with suppliers, deepening downstream channel marketing, with the support of refined operations and professional services and increasing brand premium. With differentiated product promotion as the core drive, the Growth Business Segment continued to make efforts to develop high-end single products, create solid support for performance growth. By relying on the production and sales planning operation system, we reduced operating costs, avoided potential risk of loss, and improved efficiency, therefore achieving a profit of RMB239 million in 2023, up by 23% compared with the same period of the previous year. The Production Segment fully adhered to the requirements of quality improvement and efficiency enhancement, sound operation and "controlling costs", all cadres and employees were motivated to carry out entrepreneurial spirit, continuously optimizing operational processes and strengthening cost management. In 2023, the segment recorded a profit of RMB506 million.

II. PROFIT

(I) Share of results of joint ventures and associates

Share of results of joint ventures: For the year ended 31 December 2023, the Group's share of results of joint ventures was a profit of RMB185 million, representing an increase of 94.74% as compared with share of results of joint ventures of RMB95 million over the year ended 31 December 2022, which was mainly attributed to the year-on-year increase of share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem").

Share of results of associates: For the year ended 31 December 2023, the Group's share of results of associates was a loss of RMB61 million, representing a decrease of RMB114 million as compared with a profit of RMB53 million for the year ended 31 December 2022, which was mainly attributed to the share of results of Yangmei Pingyuan Chemical Co., Ltd. amounting to a loss of RMB91 million, representing a decrease of RMB92 million over the corresponding period last year.

(II) Income tax

For the year ended 31 December 2023, the Group's income tax expense was RMB162 million, of which current tax was RMB120 million and deferred tax was RMB42 million. In 2023, current tax increased by RMB42 million as compared with the same period of the previous year, mainly due to the income tax paid by Qilixing Railway Public and Water Intermodal Transportation Company, a subsidiary of Sinochem Fuling, upon completion of the asset disposal of the railway special line. The increase in deferred tax of RMB59 million as compared with the same period of previous year was mainly due to the expiration of the credit period for losses not made up of the Company's subsidiaries Sinochem Fertilizer Company Limited. ("Sinochem Fertilizer") and Sinochem Changshan in prior years, offsetting the deferred tax assets recognized in prior years.

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

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

For the year ended 31 December 2023, profit attributable to owners of the Company was RMB626 million, down by 43.96% compared with a profit of RMB1,117 million for the year ended 31 December 2022. Without taking into account the impact of the recognition of the closure of Yangmei Pingyuan due to policy, the profit attributable to owners of the Company amounted to RMB1,149 million for the year ended 31 December 2023, representing a slight increase of 2.86% compared with the year ended 31 December 2022. The Group overcame the adverse impacts of downward market fluctuations, sluggish demand and increased import costs due to exchange rate depreciation. Through targeted research and accurate judgement of the industry and market, the Company managed to adjust its structure, reduce costs and maintain its operational efficiency. The Company firmly transformed the mode of development towards innovation, made up for shortcomings, persisted on boosting volume and raising efficiency to guard against the impact of market cycles. At the same time, the Company accelerated the construction of "Bio+" R & D capabilities and continued to upgrade biotechnology empowered products to maintain a reasonable level of profitability.

For the year ended 31 December 2023, the net profit margin of the Group calculated by dividing profit attributable to owners of the Company by revenue, was 2.88%, representing a decrease of 1.98 percentage points over the same period of last year. Without taking into account the impact of the recognition of the closure of Yangmei Pingyuan due to policy, for the year ended 31 December 2023, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 5.29%, representing a slight increase of 0.43 percentage point over the same period of last year.

III. EXPENSES

For the year ended 31 December 2023, the three categories of expenses in aggregate amounted to RMB1,294 million, which was basically unchanged from RMB1,292 million for the year ended 31 December 2022. Of which:

Selling and distribution expenses: For the year ended 31 December 2023, selling and distribution expenses amounted to RMB582 million, representing a decrease of RMB25 million or 4.12% from RMB607 million for the year ended 31 December 2022. This was mainly attributable to the Group's strict implementation of the management requirements of "reducing costs" and "all costs can be controlled", focusing on key aspects of quality improvement and cost reduction.

Administrative expenses: For the year ended 31 December 2023, administrative expenses amounted to RMB642 million, representing a decrease of RMB20 million or 3.02% from RMB662 million for the year ended 31 December 2022. This was mainly attributable to the Group's strict implementation of the management requirements of "reduce costs" and "all costs can be controlled", optimizing the organizational management structure, improving operational efficiency and reducing costs.

Finance costs: For the year ended 31 December 2023, finance costs amounted to RMB70 million, representing an increase of RMB47 million from RMB23 million for the year ended 31 December 2022. This was mainly attributable to the cessation of interest capitalization after the commencement of production at Sinochem Fuling.

IV. OTHER INCOME AND GAINS

Other income and gains mainly consist of interest income, income from sales of scrapped materials and raw materials, government grants, and assets disposal income, etc. For the year ended 31 December 2023, the Group's other income and gains amounted to RMB340 million, representing an increase of RMB221 million from RMB119 million for the year ended 31 December 2022, mainly attributable to the Qilixing Railway Public and Water Intermodal Transportation Company, a subsidiary of Sinochem Fuling, completed the asset disposal of the railway special line and recognized a gain from asset disposal and increase in interest income of the Group.

V. OTHER EXPENSES AND LOSSES

Other expenses and losses mainly consist of expected credit loss. For the year ended 31 December 2023, the Group's other expenses and losses amounted to RMB390 million, representing an increase of RMB17 million from RMB373 million for the year ended 31 December 2022, mainly due to the Group's recognition of credit losses on financial guarantees issued of RMB328 million in relation to the guarantee obligations for Yangmei Pingyuan. Sinochem Fertilizer provide guarantee with its restricted cash deposits for the loan of Yangmei Pingyuan. Since Yangmei Pingyuan failed to timely repay the bank loan due in January 2024, Sinochem Fertilizer its guarantee obligation according to the pledge contract and fully repaid the loan principal and interest under the loan contract of Yangmei Pingyuan to the bank after the balance sheet date. After assessing the solvency of Yangmei Pingyuan, the Group recognized credit losses on financial guarantees issued of RMB328 million related to the guarantee. For details of the above issues, please refer to the Company's announcements dated 7 June 2023, 3 January 2024 and 31 January 2024.

VI. IMPAIRMENT OF INTERESTS IN AN ASSOCIATE

The Group's impairment loss of interests in an associate for the year ended 31 December 2023 amounted to RMB195 million, which was mainly due to the impairment loss of interests of RMB195 million on the interests in relation to the long-term equity investment of Yangmei Pingyuan, an associate, recognized by the Group. In December 2023, Yangmei Pingyuan received a mandatory shutdown notice from the People's Government of Pingyuan County, resulting in the cessation of operation of Yangmei Pingyuan, the cashflow was affected and its future operation was uncertain. The Group assessed the recoverable amount of its interest in Yangmei Pingyuan based on the value-in-use and reconciled it with the carrying value of such interest, and accordingly, an impairment loss of RMB195 million was recognized in the "IMPAIRMENT OF INTERESTS IN AN ASSOCIATE". For details of the above events, please refer to the announcements of the Company dated 7 December 2023 and 31 January 2024.

VII. INVENTORIES

As at 31 December 2023, the inventories balance of the Group amounted to RMB5,684 million, which was basically the same as compared with RMB5,673 million as at 31 December 2022. Inventory turnover days increased by 15 days to 110 days as compared with the same period of the previous year.

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

VIII. TRADE AND BILLS RECEIVABLES

As at 31 December 2023, the Group's balance of trade and bills receivables amounted to RMB470 million, representing a decrease of RMB187 million or 28.46% from RMB657 million as at 31 December 2022, which was mainly attributable to the decrease in trade receivables. The Group actively prevented credit risk, and the turnover days of trade and bills receivables in 2023 was 9 days, 2 days less than the turnover days in 2022.

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

IX. LOANS TO A FELLOW SUBSIDIARY

As at 31 December 2023, the Group's loans to a fellow subsidiary amounted to RMB800 million, all of which were for the provision of funds to Sinochem Agriculture Co., Ltd.

X. GOODWILL

As at 31 December 2023, the goodwill balance of the Group increased by RMB4 million to RMB854 million from RMB850 million as at 31 December 2022, which was mainly due to foreign exchange adjustments. For the purposes of impairment testing, goodwill has been allocated to the cash generating units ("CGUs") of the related segments as follows:

Table 3:

	At 31 December	
	2023	2022
	RMB'000	*RMB'000*
Basic business	**195,517**	192,734
Growth business	**92,008**	90,698
Production		
– Sinochem Yunlong Co., Ltd.	**531,074**	531,074
– Others	**35,538**	35,032
	854,137	849,538

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

Table 4:

	Basic business 2023	**Growth business 2023**	**Production 2023**
Annual revenue growth rate during and beyond the forecast period	**3.0%**	**3.0%**	**3.0%**
Gross margin	**6.5%**	**7.2%**	**40.4%**
Pre-tax discount rates	**10.7%**	**10.7%**	**12.7%**

	Basic business 2022	Growth business 2022	Production 2022
Annual revenue growth rate during and beyond the forecast period	3.0%	3.0%	3.0%
Gross margin	6.5%	7.2%	38.0%
Pre-tax discount rates	10.7%	10.7%	12.7%

XI. INTERESTS IN JOINT VENTURES AND ASSOCIATES

As at 31 December 2023, the balance of the Group's interests in joint ventures and associates amounted to RMB1,109 million, down by RMB285 million or 20.44% compared with RMB1,394 million as at 31 December 2022, mainly due to the impairment of interests in an associate, Yangmei Pingyuan of RMB195 million. For details of the impairment of interests in Yangmei Pingyuan, please refer to "VI. IMPAIRMENT OF INTERESTS IN AN ASSOCIATE" above. In 2023, using the equity accounting method, the Group's share of investment gains of joint ventures and associates amounted to a total of RMB125 million. Three Circles-Sinochem announced the distribution of a dividend of RMB60 million during the period, Guihou Xinxin Coal Chemical Industry Co., Ltd. announced the distribution of a dividend of RMB144 million during the period, and Beijing Aerospace Hengfeng Technology Corp., Ltd. announced the distribution of a dividend of RMB11 million during the period.

XII. OTHER EQUITY INVESTMENTS

As at 31 December 2023, the Group's balance of other equity investments amounted to RMB164 million, representing a decrease of RMB25 million from RMB189 million as at 31 December 2022, which was mainly due to the decrease in fair value of the equity of Guizhou Kailin Holdings (Group) Co., Ltd. held by the Group.

XIII. INTEREST-BEARING LIABILITIES

As at 31 December 2023, the Group's total interest-bearing liabilities amounted to RMB1,829 million, representing an increase of RMB11 million or 0.61% from RMB1,818 million as at 31 December 2022, which was mainly due to additional bank financing during the period. For details of the interest-bearing liabilities, please refer to the section headed "XVII. LIQUIDITY AND FINANCIAL RESOURCES".

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2023, the Group's balance of trade and bills payables amounted to RMB3,772 million, increasing by RMB1,273 million or 50.94% compared with RMB2,499 million as at 31 December 2022, which was mainly due to trade payables of Sinochem Fertilizer Macao Limited, a subsidiary of the Company, have not reached the payment deadline of letter of credit.

XV. OTHER PAYABLES AND PROVISION

As at 31 December 2023, the balance of the Group's other payables and provision amounted to RMB1,409 million, decreasing by RMB46 million or 3.16% as compared with RMB1,455 million as at 31 December 2022, which was mainly attributed to the completion of all onerous contracts of the Group.

XVI. OTHER FINANCIAL INDICATORS

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

For the year ended 31 December 2023, the Group's basic earnings per share was RMB0.0891 and return on equity (ROE) was 6.52%, representing a 5.73 percentage points decrease over 31 December 2022.

Table 5:

	For the year ended 31 December	
	2023	2022
Profitability		
Earnings per share *(RMB)* *(Note 1)*	**0.0891**	0.1590
Return on equity *(Note 2)*	**6.52%**	12.25%

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

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

As at 31 December 2023, the Group's current ratio was 1.33, and its debt-to-equity ratio was 18.45%, representing a strengthening of repayment capacity. The Group enjoyed relatively high banking facilities and smooth financing channels, as well as diverse funding methods.

Table 6:

	As at 31 December 2023	As at 31 December 2022
Solvency		
Current ratio *(Note 1)*	**1.33**	1.34
Debt-to-equity ratio *(Note 2)*	**18.45%**	18.69%

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

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

XVII. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB3,907 million, which was mainly denominated in RMB and US dollar.

Table 7:

	As at 31 December 2023	As at 31 December 2022
Bank loan and other borrowings	**1,788,858**	1,741,217
Lease liabilities	**40,110**	76,613
Total	**1,828,968**	1,817,830

Table 8:

	As at 31 December 2023	As at 31 December 2022
Carrying amount of interest-bearing liabilities		
Within one year	**612,527**	469,527
More than one year	**1,216,441**	1,348,303
Total	**1,828,968**	1,817,830

Table 9:

	As at 31 December 2023	As at 31 December 2022
Fixed-rate interest-bearing liabilities	**483,068**	408,830
Floating-rate interest-bearing liabilities	**1,345,900**	1,409,000
Total	**1,828,968**	1,817,830

As at 31 December 2023, the Group had banking facilities equivalent to RMB25,381 million, including US$915 million and RMB18,900 million. The unutilized banking facilities amounted to RMB21,907 million, including US$748 million and RMB16,608 million, respectively.

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

XVIII. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include geopolitical tensions, weak global economic growth, continued tightening of monetary policy and the emergence of trade fragmentation. In 2023, China's effective demand is insufficient, some industries had excess capacity, social expectations were weak, the external environment was complex, severity and uncertainty were rising. Market competition in the fertilizer industry has been intensified in the backdrop of green transformation, energy conservation and environmental protection as well as acceleration of industry integration. Under such circumstances, the Group took proactive measures to cope with the unfavorable market conditions. On the one hand, relying on the national and provincial R&D platform, we built and continued to improve the "Bio+" R&D capability, conduct research on key technologies, and continue to accelerate the development, industrial transformation and promotion of "Bio+" key products through our research, production and marketing integration mechanism. On the other hand, we regarded technology marketing as the key means of the Company's strategic transformation, closely grasping the pain points of crops and users, constantly tapping market demand, and improving the profitability of the Group while providing users with cost-effective product solutions.

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

Environmental and social risks

With the increasingly stringent requirements on environmental protection management and gradually intensive efforts in pollution control from the government, enterprises have been required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group engaged in resource exploitation and fertilizer production strictly comply with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. Through stringent investigation and management on sources of corporate environmental risks, the subsidiaries of the Group implement measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulate emergency plans for sudden environmental pollution incidents, equip themselves with necessary emergency disposal materials, seriously perform emergency response exercises, and promptly launch emergency plans to limit production during heavily polluted weather. In 2023, no major environmental pollution incidents occurred in the Company.

Cyber risk and security

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

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

Risks associated with data fraud or theft

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

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

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

Market risk

Market risk includes currency risk, interest rate risk and other price risk. Currency risk represents the unfavorable change in exchange rates that may have an impact on the Group's financial results and cash flows. Interest rate risk represents the unfavorable change in interest rates that may lead to changes in the fair value of the Group's fixed-rate borrowings and other deposits. Other price risk represents the risk related to the value of the Group's equity investments, which is 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, exchange rate fluctuations have an impact on the import and export prices. The management of the Group has always taken prudent measures like foreign exchange forward to hedge exchange rate risk, and continued to monitor and control the above-mentioned risks so as to mitigate the potential adverse impact on the Group's financial performance.

Credit risk

The biggest credit risk of the Group is that the counterparties may fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position as at 31 December 2023. If there is a lack of credit risk management, bad debt losses of the Company, as a result of unrecoverable accounts receivable and unavailable inventory after advance payment for procurement, may affect its normal operation.

The Group has adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects.

Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group develops risk management strategies and measures to prevent and control the risk, allocates more credit resources to strategic and high-quality core customers and suppliers, and transfers bad debt risks by proper utilization of various risk protection measures. The Group examines the recovery of its major trade receivables on the settlement date every month to ensure adequate provisions are made on bad debts and that the credit business is well monitored and protected.

Liquidity risk

Liquidity risk may lead to inadequate capital to meet the demand of daily operations in a timely manner and repayment of debts at maturity. In this regard, the management of the Group takes the following measures:

Regarding the management of liquidity risk, the Group strengthens position management of daily working capital, forecasts and strictly executes the fund plan to monitor and keep enough cash and cash equivalents. The Group monitors and maintains sufficient cash and cash equivalents, increases the scale of advance receipts during the sales season to maintain a better operating cash flow; reasonably allocates long-term and short-term capital requirements and optimizes the capital structure to meet the Company's working capital and repayment of maturing debts.

XIX. CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no contingent liabilities.

XX. CAPITAL COMMITMENT

Table 10:

	As at 31 December 2023	As at 31 December 2022
Contracted but not provided for		
– Property, plant and equipment	**59,075**	648,197

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.

XXI. HUMAN RESOURCES

The key components of the Group's remuneration package include basic salary, and where applicable, other allowances, annual performance bonus and other rewards, mandatory provident funds and state-managed retirement benefits scheme. Through reasonable design on remuneration structure and mechanism on performance evaluation, the Group aims 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. 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 and results on performance evaluation. The higher the importance of duties, the higher the ratio of incentive bonus and rewards to total remuneration. This can help the Group to recruit, retain and motivate high-calibre employees required for the development of the Group and to avoid offering excess reward.

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

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2023, the Group had about 4,493 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 2023, the Group provided around 7,378 person-times or 73,883 hours of training (any training organized by the subsidiaries has not been included in these numbers) to employees. The training courses covered areas such as strategy implementation, leadership enhancement, marketing management, safe production, compliance risks, general working skills and practical cases. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*3(a)*	**21,728,120**	23,002,701
Cost of sales		**(19,468,573)**	(20,426,224)
Gross profit		**2,259,547**	2,576,477
Other income and gains		**339,782**	119,192
Selling and distribution expenses		**(581,849)**	(607,312)
Administrative expenses		**(641,812)**	(661,983)
Other expenses and losses		**(389,945)**	(373,230)
Profit from operations		**985,723**	1,053,144
Share of results of associates		**(60,609)**	53,499
Share of results of joint ventures		**185,387**	94,573
Gain on disposal of a subsidiary		**–**	8,021
Impairment of interests in an associate		**(194,624)**	–
Finance costs	*4(a)*	**(69,642)**	(22,514)
Profit before taxation	*4*	**846,235**	1,186,723
Income tax	*5*	**(162,119)**	(61,777)
Profit for the year		**684,116**	1,124,946
Profit for the year attributable to:			
– Owners of the Company		**625,549**	1,117,206
– Non-controlling interests		**58,567**	7,740
		684,116	1,124,946

	Note	2023	2022
		RMB'000	*RMB'000*
Profit for the year		**684,116**	1,124,946
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)		**(18,488)**	23,540
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**4,343**	(12,729)
Other comprehensive income for the year		**(14,145)**	10,811
Total comprehensive income for the year		**669,971**	1,135,757
Total comprehensive income attributable to:			
– Owners of the Company		**611,404**	1,128,017
– Non-controlling interests		**58,567**	7,740
		669,971	1,135,757
Earnings per share			
Basic and diluted (RMB)	*7*	**0.0891**	0.1590

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	**As at 31 December** **2023** ***RMB'000***	2022 *RMB'000*
Non-current assets			
Property, plant and equipment		**4,580,075**	4,265,891
Right-of-use assets		**698,589**	648,849
Mining rights		**292,527**	319,614
Intangible assets		**10,198**	12,827
Goodwill		**854,137**	849,538
Interests in associates	*4(b)(i)*	**335,821**	746,313
Interests in joint ventures		**773,035**	647,648
Other equity securities		**164,353**	189,004
Prepayments for acquisition of property, plant and equipment		**52,752**	271,827
Deferred tax assets		**55,527**	100,534
Other long-term assets		**37,547**	37,954
		7,854,561	8,089,999
Current assets			
Inventories		**5,683,619**	5,672,836
Trade and bills receivables	*8*	**469,532**	656,889
Other receivables and prepayments		**2,032,441**	2,137,029
Other current assets		**895,995**	896,538
Loans to a fellow subsidiary		**800,000**	–
Other financial assets		**13,046**	–
Restricted bank deposits		**326,574**	12,336
Cash and cash equivalents		**3,907,133**	3,356,184
		14,128,340	12,731,812
Current liabilities			
Trade and bills payables	*9*	**3,771,752**	2,499,152
Contract liabilities		**4,797,013**	5,063,762
Other payables and provision	*4(b)(ii)*	**1,409,151**	1,455,217
Bank and other borrowings		**588,013**	421,217
Lease liabilities		**24,514**	48,310
Tax liabilities		**41,378**	36,525
		10,631,821	9,524,183

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
Net current assets		**3,496,519**	3,207,629
Total assets less current liabilities		**11,351,080**	11,297,628
Non-current liabilities			
Bank and other borrowings		**1,200,845**	1,320,000
Lease liabilities		**15,596**	28,303
Deferred income		**76,065**	69,177
Deferred tax liabilities		**119,446**	128,690
Other long-term liabilities		**20,344**	19,812
		1,432,296	1,565,982
NET ASSETS		**9,918,784**	9,731,646
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**3,824,059**	3,616,058
Total equity attributable to owners of the Company		**9,711,443**	9,503,442
Non-controlling interests		**207,341**	228,204
TOTAL EQUITY		**9,918,784**	9,731,646

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value:

– financial instruments classified as other equity securities;

– derivative financial instruments; and

– bills receivable.

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

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

– HKFRS 17, *Insurance contracts*

– Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

– Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

– Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

– Amendments to HKAS 12, *Income taxes: International tax reform-Pillar Two model rules*

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

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

Besides the aforementioned, the accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15 recognized at point in time		
Disaggregated by major products		
– Sales of potash fertilizer	**5,250,381**	4,027,895
– Sales of compound fertilizer	**6,583,711**	6,477,592
– Sales of phosphate fertilizer	**5,638,764**	5,767,023
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**1,246,150**	1,530,881
– Sales of nitrogen fertilizer	**311,101**	3,057,428
– Sales of special fertilizer	**581,406**	393,400
– Others	**2,116,607**	1,748,482
	21,728,120	23,002,701

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

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

(b) Segment reporting

The Group's operating segments based on information reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment. During the reporting period, the Group has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change as follows:

- Basic business: procurement and sales of potash fertilizers, phosphate fertilizers and sulfur

- Growth business: production, procurement and sales of Bio-compound fertilizers, special fertilizers, crop protection and seeds

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

Certain comparative amounts in the segment information have been adjusted to conform the current year's presentation.

(i) Segment results

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

2023	**Basic business** *RMB'000*	**Growth business** *RMB'000*	**Production** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Revenue					
External revenue	11,333,844	7,845,131	2,549,145	–	21,728,120
Internal revenue	1,898,126	2,907,604	2,376,219	(7,181,949)	–
Segment revenue	13,231,970	10,752,735	4,925,364	(7,181,949)	21,728,120
Share of results of associates	–	–	27,068	–	27,068
Segment profit	678,099	239,001	506,147	–	1,423,247
Unallocated share of results of associates					(87,677)
Unallocated share of results of joint ventures					185,387
Unallocated expenses					(803,087)
Unallocated income					128,365
Profit before taxation					846,235

2022	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	12,994,444	7,441,296	2,566,961	–	23,002,701
Internal revenue	2,548,105	2,913,016	881,731	(6,342,852)	–
Segment revenue	15,542,549	10,354,312	3,448,692	(6,342,852)	23,002,701
Share of results of associates	–	–	59,842	–	59,842
Segment profit	720,070	194,272	516,173	–	1,430,515
Unallocated share of results of associates					(6,343)
Unallocated share of results of joint ventures					94,573
Unallocated expenses					(380,932)
Unallocated income					48,910
Profit before taxation					1,186,723

(ii) Other segment information

2023	**Basic business** *RMB'000*	**Growth business** *RMB'000*	**Production** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measures of segment profit:					
Reversal of impairment of trade and bills receivables	**2,979**	**1,771**	**192**	**–**	**4,942**
Reversal of impairment of other receivables and prepayments	**–**	**–**	**93**	**–**	**93**
Credit losses on financial guarantees issued	**–**	**–**	**–**	**(327,895)**	**(327,895)**
Impairment of interests in an associate	**–**	**–**	**–**	**(194,624)**	**(194,624)**
Depreciation and amortization	**(41,994)**	**(78,687)**	**(311,948)**	**(95)**	**(432,724)**
Reversal/(write-down) of inventories	**13,439**	**(2,160)**	**(488)**	**–**	**10,791**
Net (loss)/gain on disposal of property, plant and equipment	**(17)**	**(55)**	**148,177**	**–**	**148,105**
Write-off of payables	**198**	**1,162**	**2,732**	**–**	**4,092**

2022	Basic business *RMB'000*	Growth business *RMB'000*	Production *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measures of segment profit:					
Reversal of impairment of trade and bills receivables	–	–	212	–	212
Impairment of other receivables and prepayments	–	–	–	(22,745)	(22,745)
Impairment of other current assets	–	–	(6,904)	–	(6,904)
Depreciation and amortization	(45,403)	(72,377)	(186,875)	(695)	(305,350)
Write-down of inventories	(250,519)	(33,153)	(3,948)	–	(287,620)
Net gain/(loss) on disposal of property, plant and equipment	4	(1,073)	(9,860)	–	(10,929)
Write-off of payables	471	2,498	15	–	2,984

(iii) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
			As at 31 December	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Mainland China	**20,676,931**	21,923,571	**7,633,823**	7,797,639
Others	**1,051,189**	1,079,130	**858**	2,822
	21,728,120	23,002,701	**7,634,681**	7,800,461

4. PROFIT BEFORE TAXATION

(a) Finance costs

	2023	2022
	RMB'000	*RMB'000*
Interest on borrowings	**67,361**	77,736
Interest on lease liabilities	**2,281**	2,726
Less: interest expense capitalized	**–**	(57,948)
	69,642	22,514

(b) Other items

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

	2023	2022
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**323,806**	196,502
– right-of-use assets	**62,154**	62,120
Amortization of mining rights	**27,087**	27,133
Amortization of other long-term assets	**16,490**	16,816
Amortization of intangible assets	**3,187**	2,779
Net (gain)/loss on disposal of property, plant and equipment	**(148,105)**	10,929
Reversal of impairment of trade and bills receivables	**(4,942)**	(212)
(Reversal of)/impairment of other receivables and prepayments	**(93)**	22,745
(Reversal of)/write down of inventories	**(10,791)**	287,620
Impairment of other current assets	**–**	6,904
Impairment of interests in an associate *(note (i))*	**194,624**	–
Credit losses on financial guarantees issued *(note (ii))*	**327,895**	–
Fair value changes of other financial assets	**(12,976)**	403
Foreign exchange loss	**36,406**	4,140
Loss on sales of semi-product, raw materials and scrapped materials	**35,646**	34,315
Rental income	**(9,252)**	(5,844)
Interest income from a fellow subsidiary	**(11,872)**	(14,186)
Other interest income	**(98,869)**	(48,076)
Government grants	**(7,013)**	(5,132)
Release of deferred income	**(7,768)**	(7,625)
Insurance claims received	**(1,612)**	(6,386)
Write-off of payables	**(4,092)**	(2,984)

Notes:

(i) On 1 December 2023, Yangmei Pingyuan received a notice from the People's Government of Pingyuan County, requiring Yangmei Pingyuan to shut down by 31 December 2023. Due to the shut down of Yangmei Pingyuan, the Group assessed the recoverable amount of the interests of Yangmei Pingyuan based on value in use calculation and compared with the carrying amount of the interests in Yangmei Pingyuan, which result an impairment loss of RMB194,624,000 recognised in "Impairment of interests in an associate" during the year ended 31 December 2023.

(ii) On 7 June 2023, Sinochem Fertilizer, a subsidiary of the Group, entered into a guarantee agreement with Jinan Branch of Bank of Beijing Co., Ltd. ("BOB Jinan"), pursuant to which, Sinochem Fertilizer will provide a guarantee with its restricted cash deposits of RMB478,696,000 in BOB Jinan for the loans of RMB470,087,000 provided by BOB Jinan to Yangmei Pingyuan.

On 14 November 2023, Sinochem Fertilizer entered into a guarantee agreement with another bank, pursuant to which, Sinochem Fertilizer will provide a guarantee of no more than RMB22,050,000 for the loans provided to Yangmei Pingyuan.

As at 31 December 2023, the total outstanding financial guarantees provided to Yangmei Pingyuan in respect of the loan was RMB327,895,000, which will expire before 31 December 2024 and the restricted bank deposits of the Group amounting to RMB305,845,000 was pledged for those outstanding loans.

Due to the shut down of Yangmei Pingyuan, the risk of default of related loans has increased significantly. Considering the expected payment in the event of the default occurred and amounts expected to be received from Yangmei Pingyuan, the directors of the Company have consequently determined to recognize credit losses on financial guarantees of RMB327,895,000 during the year ended 31 December 2023.

5. INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Provision for the year	**(120,193)**	(78,443)
Deferred tax		
Origination and reversal of temporary differences	**(41,926)**	16,666
	(162,119)	(61,777)

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

(ii) The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year.

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

(iv) The provision for Macao SAR Profits Tax for 2023 is calculated at 12% of the estimated assessable profits for the year (2022:12%).

(v) The provision for Singapore Profits Tax for 2023 is calculated at 17% (2022: 17%) of the estimated assessable profits for the year.

(vi) The Group operates in multiple jurisdictions, which will enact tax laws to implement the Pillar Two model rules published by the OECD in forthcoming years. The Group is in the process of making an assessment of what the impact of Pillar Two model is expected to be on the income taxes. So far it has concluded that the Pillar Two model is unlikely to have a significant impact on the consolidated financial statements.

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

	2023	2022
	RMB'000	*RMB'000*
Profit before taxation	**846,235**	1,186,723
Tax calculated at the applicable tax rate of 25%	**(211,559)**	(296,681)
Effect of different income tax rates	**68,677**	45,435
Tax effect of non-deductible expenses	**(85,348)**	(4,045)
Tax effect of non-taxable income	**710**	897
Tax effect of share of results of associates	**(15,152)**	13,375
Tax effect of share of results of joint ventures	**46,347**	23,643
Tax effect of utilization of prior years' tax losses and deductible temporary differences previously not recognized	**99,455**	175,030
Effect of tax losses and deductible temporary difference not recognized	**(65,249)**	(19,431)
Income tax expense for the year	**(162,119)**	(61,777)

6. DIVIDENDS

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

	2023	2022
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.0491, equivalent to approximately RMB0.0445 per share (2022: HK$0.0623, equivalent to approximately RMB0.0557 per share)	**312,549**	390,929

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.0623 per share (2022: HK$0.0528).	**403,403**	317,186

7. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**625,549**	1,117,206

	2023	2022
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022. Therefore, there was no difference between basic and diluted earnings per share.

8. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**45,001**	438,613
Less: loss allowance *(note (b))*	**(2,978)**	(3,170)
	42,023	435,443
Bills receivable	**433,809**	232,496
Less: loss allowance *(note (b))*	**(6,300)**	(11,050)
	427,509	221,446
Total trade and bills receivables, net of loss allowance	**469,532**	656,889

As at 31 December 2023, the bills receivable that the Group has endorsed or discounted and de-recognized but not yet matured amounted to RMB279,972,000 (2022: RMB319,295,000).

As at 31 December 2023, the Group has pledges bills receivable of RMB55,343,000 for commodity futures trading (2022: nil).

(a) Aging analysis of trade and bills receivables

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

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**284,339**	591,589
More than 3 months but within 6 months	**183,223**	47,758
More than 6 months but within 12 months	**740**	11,196
Over 12 months	**1,230**	6,346
	469,532	656,889

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

(b) Loss allowance of trade and bills receivables

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

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**14,220**	15,262
Reversal of impairment recognized	**(4,942)**	(212)
Write-off of uncollectible receivables	**–**	(830)
Balance at 31 December	**9,278**	14,220

9. TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**3,227,044**	1,411,139
Bills payable	**544,708**	1,088,013
Trade and bills payables	**3,771,752**	2,499,152

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:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**3,135,842**	1,848,826
More than 3 months but within 6 months	**607,450**	493,729
More than 6 months but within 12 months	**13,719**	117,020
Over 12 months	**14,741**	39,577
	3,771,752	2,499,152

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0491 (equivalent to approximately RMB0.0445) per share for the year ended 31 December 2023 (2022: HK$0.0623 (equivalent to approximately RMB0.0557) per share) to the shareholders, estimated to be HK$344,900,000 (equivalent to approximately RMB312,549,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 25 July 2024 to those entitled, subject to shareholders' approval at the forthcoming annual general meeting.

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

POST BALANCE SHEET EVENT

The following events occurred after the balance sheet date:

1. On 3 January 2024, Sinochem Fertilizer received a notice from a bank informing that its associate, Yangmei Pingyuan, did not make timely repayment in respect of its loan and therefore requesting Sinochem Fertilizer to perform its guarantee repayment obligations under its pledge contracts. The bank subsequently served further notices to Sinochem Fertilizer declaring the acceleration of maturity of Yangmei Pingyuan's other outstanding loans and requiring Sinochem Fertilizer to settle the corresponding principal and interest of such loans on behalf of Yangmei Pingyuan. In this connection, Sinochem Fertilizer fully paid off the principal and interest of such loans to the bank on behalf of Yangmei Pingyuan totaling approximately RMB299,676,000 in January 2024. For more details regarding provision of guarantee to Yangmei Pingyuan by Sinochem Fertilizer, please refer to the announcement of the Company dated 7 June 2023.

2. On 26 January 2024, the Company has approved the provision by Sinochem Fertilizer of the loan in an aggregate amount of approximately RMB167,670,000 to Yangmei Pingyuan, in proportion to its shareholding to Yangmei Pingyuan, for the resettlement of Yangmei Pingyuan's employees. In this connection, on 30 January 2024, Sinochem Fertilizer entered into a loan contract with other shareholders of Yangmei Pingyuan (as other lenders) and Yangmei Pingyuan, pursuant to which, the lenders will provide loans to Yangmei Pingyuan in proportion to their respective shareholdings in Yangmei Pingyuan, including, among others, the loan in an aggregate amount of approximately RMB167,670,000 to be provided by Sinochem Fertilizer. The loan has a term of two years from the date of release of fund and the applicable interest rate shall be the loan prime rate (LPR) for one-year loans authorized for publication by the National Interbank Funding Center as announced by the People's Bank of China. The loan shall be used only for the payments in relation to the resettlement of employees for Yangmei Pingyuan. The transfer of loan amounts by Sinochem Fertilizer to Yangmei Pingyuan was made on 30 January 2024. For more details, please refer to the announcement of the Company dated 28 January 2024.

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal controls system, risk management and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2023.

SCOPE OF WORK OF KPMG ON THIS ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and its amendments from time to time as its own code of conduct regarding securities transaction by directors. Having made specific enquiries with all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2023.

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

CORPORATE GOVERNANCE STANDARDS

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

The Corporate Governance Code contained in Appendix C1 to the Listing Rules in effect for the year ended 31 December 2023 includes the mandatory requirements for disclosure in the corporate governance report for listed companies and sets out the principles of good corporate governance, the code provisions on a "comply or explain" basis and certain recommended best practices. For the year ended 31 December 2023, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions C.5.7 and F.2.2 as described below.

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

The code provision F.2.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. In the annual general meeting of the Company held on 19 June 2023 (the "2023 AGM"), Mr. Liu Hongsheng, the then Chairman of the Board, did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2023 AGM, Mr. Liu authorized and the directors attending the meeting elected Mr. Tse Hau Yin, Aloysius, the independent non-executive director of the Company, to chair the meeting. Respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 2023 AGM and were available to answer relevant questions, which was in compliance with other part of code provision F.2.2.

Save as disclosed above, please refer to the "Corporate Governance Report" contained in the Company's 2023 annual report for more information about the corporate governance practices of the Company to be published soon.

BOARD OF DIRECTORS

As at the date of this announcement, the non-executive director of the Company is Mr. Su Fu (Chairman), the executive directors of the Company are Mr. Wang Jun and Ms. Wang Ling; and the independent non-executive directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Tse Hau Yin, Aloysius.

For and on behalf of the Board of
SINOFERT HOLDINGS LIMITED
Su Fu
Chairman for the Board

Hong Kong, 25 March 2024