

# 中化化肥控股有限公司 SINO FERT HOLDINGS LIMITED

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

INTERIM  
REPORT

20  
24



**NURTURING  
CHINA'S  
AGRICULTURE  
SECTOR**





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# Definitions

*In this interim report, unless the context otherwise requires, the following expressions have the following meaning:*

<b>Term</b>	<b>Definition</b>
"Audit Committee"	the audit committee of the Company established by the Board in 1999
"Board"	the board of Directors of the Company
"Bye-law(s)"	the bye-law(s) of the Company, as amended, modified or otherwise supplemented from time to time
"Company"	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Fertex"	a service platform in respect of agriculture industry in China
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macao"	Macao Special Administrative Region of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"PRC" or "China"	the People's Republic of China, which for the purposes of this interim report only, excludes Hong Kong, Macao and Taiwan



## Definitions (continued)

<b>Term</b>	<b>Definition</b>
“Remuneration Committee”	the remuneration committee of the Company established by the Board in 2005
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), an indirect wholly-owned subsidiary of the Company
“Sinochem Holdings”	中國中化控股有限責任公司 (Sinochem Holdings Corporation Ltd.), the ultimate controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Syngenta Group”	先正達集團股份有限公司 (Syngenta Group Co., Ltd.), the indirect controlling shareholder of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percent



# **CORPORATE INFORMATION**



# Corporate Information

## Board of Directors

### Non-Executive Director

Mr. SU Fu (*Chairman*)

### Executive Directors

Mr. WANG Tielin (*Chief Executive Officer*)

Ms. CHEN Shengnan

Ms. WANG Ling

### Independent Non-Executive Directors

Mr. KO Ming Tung, Edward

Mr. LU Xin

Mr. SUN Po Yuen

## Members of Committees

### Audit Committee

Mr. SUN Po Yuen (*Chairman*)

Mr. KO Ming Tung, Edward

Mr. LU Xin

### Remuneration Committee

Mr. LU Xin (*Chairman*)

Mr. KO Ming Tung, Edward

Mr. SUN Po Yuen

### Nomination Committee

Mr. KO Ming Tung, Edward (*Chairman*)

Mr. LU Xin

Mr. SUN Po Yuen

### Corporate Governance Committee

Mr. WANG Tielin (*Chairman*)

Ms. CHEN Shengnan

Ms. WANG Ling

Ms. CHEUNG Kar Mun, Cindy

### Strategy Committee

Mr. SU Fu (*Chairman*)

Mr. WANG Tielin

Ms. CHEN Shengnan

Ms. WANG Ling

Mr. LU Xin

## Chief Financial Officer

Ms. WANG Ling

## Qualified Accountant

Ms. CHEUNG Kar Mun, Cindy

## Company Secretary

Ms. CHEUNG Kar Mun, Cindy

## Auditors

KPMG

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

Council Ordinance

## Legal Adviser

Haiwen & Partners LLP

## Principal Bankers

Bank of China

China Construction Bank

Industrial and Commercial Bank of China

Agricultural Bank of China

China Everbright Bank

Bank of Tokyo-Mitsubishi

Rabobank International

The Hongkong and Shanghai Banking Corporation Limited

## Registered Office

Clarendon House

2 Church Street

Hamilton HM11 Bermuda

## Principal Place of Business

Unit 4705, 47th Floor, Office Tower

Convention Plaza, 1 Harbour Road

Wanchai, Hong Kong

## Share Registrars and Transfer Offices Bermuda (Principal office)

Codan Services Limited

Clarendon House

2 Church Street

Hamilton HM11 Bermuda

## Hong Kong (Branch)

Tricor Secretaries Limited

17/F Far East Finance Centre

16 Harcourt Road, Hong Kong

## Company Website

[www.sinofert.com](http://www.sinofert.com)

## Share Listing

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

Stock Code: 297

## Investor Relations

Email : [ir\\_sinofert@sinochem.com](mailto:ir_sinofert@sinochem.com)

Address : **Hong Kong**

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

### Beijing

Level 18, Youan International Tower  
Xitieying Middle Road  
Fengtai District  
Beijing 100069, PRC

# CHAIRMAN'S STATEMENT







## Chairman's Statement

To shareholders,

On behalf of the Board of Directors, I hereby report to all shareholders the interim results of the Group for the six months ended 30 June 2024.

During the first half of 2024, affected by inflation, geopolitical conflicts, trade protectionism and other factors, the global economy became complex and volatile. With insufficient effective demand in the domestic economy, the Chinese government introduced a number of policies to make sustained efforts, and the economy maintained overall stability with steady progress in recovery. The fertilizer industry chain and supply chain exhibited significant fluctuations. At the same time, under the impact of the frequent occurrence of extreme weather, price fluctuation of raw materials, downward prices of crops and other factors, the prices of major fertilizer products demonstrated a V-shaped trend with slight decline at the beginning of the year, and gradually rebounded in April, while the price of some products is higher than the same period last year by the end of June. With the strong support of all shareholders and the dedication of our staff, the Group firmly promoted the strategic transformation of "Bio+", insisted on driven by technology and achieved new results in high-quality development. In the first half of the year, the Group achieved a net profit of RMB1,073 million, which maintained at similar level as that of the same period last year, and the profit attributable to owners of the Company amounted to RMB1,051 million, representing an increase of 4.68% year-on-year, maintaining a good level of profitability.

The Group's growth business focused on the "Bio+" single core products, relying on the advantages of integration of research, production and marketing, achieving record high operational efficiency and further optimization product structure. The Group leveraged sales policies to promote rapid revenue growth of major products such as "Lanlin" and "Kedefeng", and at the same time launching a "Bio+" new product – "Huanfeng®", a special fertilizer for full nutrition crop, which integrates a variety of leading technologies independently developed by Syngenta Group China, and brings together biological, chemical and organic fertilizers. The launch of "Huanfeng®" was another milestone in the fertilizer technology advancement of the Group. The growth business segment achieved revenue of RMB5,555 million in the first half of the year, representing a year-on-year increase of 5%, and profit before tax of RMB398 million, representing a year-on-year increase of 27%.

The Group initiated the "Series of Action on Industrial Foundation", organized benchmarking training by visiting excellent companies for personnel in charge of production entities and sub-industrial backbone personnel, which focused on learning the good practices of benchmarking companies, and strengthened the foundation of enterprise production management. The subsidiaries of the Group has developed and implemented 24 actions, and steadily improved the level of enterprise industrial management. At the same time, each subsidiaries strictly implemented safety production and internal control management, continuous process innovation, and boosted quality and efficiency. Various type of equipment operated in safety, stability, enduringness, fullness and excellence, and capacity utilization maintained at a good level among the industry. Profit before taxation of production segment achieved RMB357 million in the first half of the year, maintained at similar level as compared to that of the same period last year.

## Chairman's Statement (continued)

The basic business of the Group has overcome market ups and downs, policy uncertainties and other changes, strengthened the capability of strategic centralized procurement, strictly implemented the requirement of stable supplies and prices, and proactively promoted the innovation and transformation of biological phosphate fertilizers and biological potash fertilizers. The Group enriched the diversified import system and ensured the supply of domestic high-quality potash fertilizer resources; maintained close contact with domestic potash fertilizer producers, increased the supply of potash fertilizers in key regions during the spring cultivation, and achieved the successful launch of "Weidefeng" series of biological potash fertilizer products. The Group accelerated the conversion of production capacity by taking into account regional differentiated demands and technology paths, and rapidly expanded the market scale through channel expansion and combined marketing. Meanwhile, the Group established a supply system with leading comprehensive costs during the spring cultivation to ensure stable supplies and prices and focus on critical spots in upstream and downstream demand, and the sales volume of biological phosphate fertilizers increased by 10% year-on-year, which led to the growth of the basic business in terms of volume and profitability. As a result, the basic business achieved segment revenue of RMB6,878 million in the first half of the year, representing an increase of RMB410 million year-on-year. Under the impact of year-on-year decrease in prices, segment profit before taxation amounted to RMB469 million, down by 12% year-on-year.

In the aspect of research and development, the Group considered and approved new technological research and established product development projects on the "Bio+" strategy in 2024, carried out 9 technological researches and 18 product development researches. In the first half of 2024, the trial production and trial marketing of four key products, including "Bio+" Organic and Inorganic – Huanfeng and "Bio+" Stimulated Water-Soluble Carbon Fertilizer – Shuidifeng, were completed. The Group has obtained a total of 48 authorized invention patents in the three major research and development directions of nutrient efficiency, soil health and biologics, including 23 invention patents in the field of biotechnology, laying a solid foundation for the promotion of the "Bio+" strategy. In the first half of the year, 886,000 tons of new research products were commercialized, representing a year-on-year increase of 17.2%.

Looking ahead to the second half of 2024, it is expected that the global economy will continue to show a tendency of recovery, and a number of countries may enter the cycle of interest rate cuts to promote consumption and investment. The Chinese government will continue to implement proactive fiscal policies and prudent monetary policies, and continue to stimulate the vitality, motivation and creativity of all types of business entities. At the same time, international food prices are expected to continue to be volatile as a result of the impact of the conflicts in the region. Annual domestic food production will continue to maintain stable, and together with the Chinese government's focus on food security, are favourable to consolidate the demand for agricultural inputs.



## Chairman's Statement (continued)

The Group will continue to seize market opportunities, actively promote agricultural biotechnology innovation, focus on the four major agricultural biotechnology fields of “nutrient utilization, quality improvement and resilience, growth promotion and soil health”, build a channel for research and development and industrialization; continuously strengthen its dominant position in the integrated system of research, production and marketing of the three major products of nutrient efficiency, biological preparations, and soil health, and unswervingly push forward the strategic transformation of the “Bio+” strategy. Taking the creation of FORUS star factory as the starting point of the industrial end, the Group will make full use of its resource advantages, implement the new development concept, adhere to green development, low-carbon development and fortify the foundation of sustainable development. In the meanwhile, the Group will focus on the core of “safety, quality and cost”, promote operational excellence, reduce costs by tapping potentials, innovate in technological reforms and other initiatives, cultivate new quality productive forces, and continue to shape new dynamics and new advantages for high quality development.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all shareholders, investors and customers for their utmost trust and support. At the same time, I would also like to express my sincere gratitude to all the staff of the Group for their innovation and unremitting efforts to help the high-quality business development of the Group.

**SU Fu**

*Chairman of the Board*

Hong Kong, 26 August 2024

# Chronicle of Events

## JANUARY 2024

- Zanna McComish, Vice President, Sales Marketing of Energy, Carbon and Potash of BHP, and other representatives visited the Group. Both parties engaged in exchanges on the latest progress of the BHP Jansen project, the status quo and future development trend of the domestic and international potash industry as well as furthering cooperation.



- The Company was included in the “Hang Seng SCHK China Central SOEs ESG 40 Index” and “Hang Seng SCHK SOEs High Dividend Yield ESG Index”, indicating that the Company’s ESG practice is ranked the top among the state-owned enterprises listed in Hong Kong.

## FEBRUARY 2024

- Sinochem Fuling Chongqing Chemical Industry Co., Ltd. (“Sinochem Fuling”), a subsidiary of the Group, successfully produced qualified bio-phosphorus fertilizer product “Linbao”, which meets the needs of the market following the passing of the examination of various indicators.





## Chronicle of Events (continued)

### MARCH 2024

- The latest product developed by the Group's "Bio+" strategy was officially unveiled in Nanning under "Huanfeng®", a brand name of comprehensive crop nutritional fertilizers. Combining a variety of leading technologies independently developed by Syngenta Group China, "Huanfeng®" is a brand new product that integrates biological, chemical and organic fertilizers.
- The Group was awarded with "Leading Quality Enterprise in the National Fertilizer Industry" and "Stable and Qualified Products in National Quality Inspection" by CAQI.



### APRIL 2024

- Svein Tore Holsether, the President and Chief Executive Officer of Yara International, and other representatives visited the Group. Both parties had an in-depth discussion on the direction of long-term cooperation, expansion of existing businesses, promotion of sustainable development and digital agriculture, with a view to better serve the Chinese market and lead the transformation and upgrade of the agricultural system.



## Chronicle of Events (continued)

### MAY 2024

- The Group participated in the International Fertilizer Association (IFA) Annual Conference in Singapore and held discussions with various major domestic and international potash fertilizer suppliers, such as APC, Canpotex, Uralkali, BPC, BHP, Qinghai Salt Lake, SDIC Xinjiang Luobupo Potash, to exchange information on the international and domestic market situation and follow-up cooperation.



- On the basis of integrating domestic and international biotechnology and potash resource advantages, the Group launched its first potash fertilizer product with integrated biotechnology, “Weidefeng”, nationwide, adding another important and differentiated new product for the promotion of efficient use of potash fertilizers.
- Alexander Schmitt, Chief Marketing Officer of Crop Nutrients of Anglo American, and other representatives visited the Group to have an in-depth discussion on key topics in the agricultural field, such as the path to sustainable development, nutrient synergies and effectiveness, and soil health.





## Chronicle of Events (continued)

### JUNE 2024

- Li Yong, Party Secretary of Fuling District, paid a visit to Sinochem Fuling, a subsidiary of the Group, and inspected the construction of the “Intelligent Factory” and the main end-products on the spot, listened to the introduction of the overall situation of Sinochem Fuling, and found out more about Sinochem Fuling’s production and operation, technological research as well as production safety.



- Wang Dazhen, Vice Chairman of Yichang City CPPCC, Secretary of the Party Committee and Chairman of Hubei Yihua Group Limited Liability Company and his entourage visited the Group. Both parties had in-depth exchanges around the Group’s development planning, strategic cooperation and other topics.



# Management Review and Prospect

## Business Environment

Due to local geopolitical conflicts, trade protectionism and fluctuations in interest rates and exchange rates, the global economic recovery became complicated and difficult in the first half of 2024. With insufficient effective domestic demand, greater pressure on business operations, and various difficulties and challenges on the stability of the economy, the Chinese Government launched a series of macroeconomic policies, to promote the sustained and healthy development of the economy. Overall, the domestic economy continued to recover and improve during the first half of the year. The economy sustained recovery with steady progress while maintaining stability and demonstrating strong resilience and long-term positive fundamentals. In order to protect food security and agricultural production, the National Development and Reform Commission issued the “Circular on Ensuring the Supplies and Prices of Fertilizers for the Spring Cultivation Season in 2024 and throughout the Year”, and comprehensively deployed spring cultivation and ensured the supplies and prices of fertilizers, and requires that all localities, relevant enterprises and relevant business associations to adopt comprehensive measures to practically secure the supply of fertilizers for the spring cultivation in sufficient quantities and at a stable price starting from the production, transportation, storage, marketing, trade and other aspects of the fertilizers. In the first half of the year, the fertilizer imports of China rose year-on-year, the cumulative imports of various types of fertilizers reached 7.27 million tons, up 20.0% year-on-year, while the fertilizer exports declined year-on-year, the cumulative exports of various types of fertilizers reached 11.89 million tons, down 4.6% year-on-year, reflecting steady increase in agricultural demand.

It was clearly proposed in China’s “No. 1 Central Document” for 2024 to support the green development of agriculture and ecological improvement, emphasize the use of less fertilizers and pesticides and efficiency improvement, promote crop-livestock integration model and strengthen the construction of an ecological civilization in agriculture. The Ministry of Agriculture and Rural Affairs issued the “Action Plan for Reduction of Fertilizers by 2025” and the “Action Plan for Reduction of Chemical Pesticides by 2025”, which vigorously promote green and high efficient products including microbial fertilizers and biopesticides to reduce the use of chemical pesticides and fertilizers, implement green prevention and control to replace chemical prevention and control, and accelerate the promotion and application of green technologies and investments. Furthermore, the State Council issued the “Action Plan for Energy Conservation and Carbon Reduction For 2024-2025”, which proposed strict policy requirements on the petrochemical and chemical industries and rigid constraints on the planning and layout of the petrochemical industry; strict control of new capacities of oil refining, calcium carbide, ammonium phosphate and yellow phosphorus industries, more emphasis on technological innovation and environmental protection development, and implementation of objectives of new quality productive forces and high-quality development, which provides a strong policy’s support and guarantee for sustainable development for the advancement of the Group’s “Bio+” strategy.





## Management Review and Prospect (continued)

In terms of pricing, during the first half of 2024, the prices of synthetic ammonia and urea declined steadily under the weakening cost support and substantial increase in supply. The price of phosphate fertilizers slightly fluctuated. The potash fertilizer market showed a V-shaped trend, with the support by the rigid domestic demand, the prices bottomed out at the end of March and then rebounded, whilst the average price in the first half of the year has not yet recovered to the level of the same period last year, with the average price of 62% white potassium at domestic ports decreased by 25.41% year-on-year. Prices of compound fertilizers with relatively balanced demand and supply were relatively stable.

### Financial Performance

For the six months ended 30 June 2024, the Group achieved a revenue of RMB13,681 million, and a profit attributable to owners of the Company of RMB1,051 million, representing a year-on-year increase of 4.68%.

### Research and Development

For the first half of 2024, the Group continued to focus on the “Bio+” strategy and relied on its own advanced R&D platform in Linyi R&D Centre, to continue to promote the construction of “Bio+” R&D capabilities and product innovation R&D capabilities. The Group tackled 9 key technologies such as technology application research of synthetic biology, and promoted the development and commercialization of key differentiated products such as “Bio+” Organic and Inorganic - Huanfeng. The Group continuously strengthened our scientific research platform and team capacity building, and set up a R&D team for biotechnology, soil health and nutrient efficiency led by three chief scientists. In terms of key technology research, the application of the three-omics model for low-temperature

resistance and photosynthesis promotion technology made initial progress. In terms of product development and commercialization, The Group completed the trial production and trial marketing of four key products, including “Bio+” Organic and Inorganic - Huanfeng and “Bio+” Stimulated Water-soluble Carbon Fertilizer – Shuidifeng. The volume of R&D results commercialized during the first half of the year amounted to 886,000 tons. In the future, The Group will continue to take the “Bio+” strategy as the lead, continue to build up the integrated R&D capability of “nutrient efficiency, biological preparation and soil health”, improve the multi-omics model and construct soil micro-ecology model, continue to tackle key technology research, and promote the commercialization of new products through the integrated mechanism of research, production and marketing.

### Production and Manufacturing

In the first half of 2024, Sinochem Fuling experienced the ups and downs of the sales market of fertilizers. All staff of Sinochem Fuling cooperated in full efforts and leveraged the operational excellence to achieve the goal of “safety, stability, enduringness, fullness and excellence”, tightened up the management of production and operation, and focused on the enhance of production capacity, realizing profit before tax of RMB81.67 million, representing a substantial increase year-on-year. Sinochem Fuling focused on the “release of phosphoric acid production capacity”, and achieved continuous increase in the production capacity, with the capacity utilization rate of phosphoric acid plant reaching 106.38% and the comprehensive capacity utilization rate of the plant reaching 96% for the whole year. Sinochem Fuling closely monitored lean manufacturing, with raw material consumption and energy consumption of each plant decreased significantly and stabilized. Sinochem

## Management Review and Prospect (continued)

Fuling actively promoted the “Bio+” strategy, insisted on the promotion of the strategy of high-quality and differentiated products, increased the proportion of differentiated products such as bio-phosphate fertilizers and bio-compound fertilizers, and successfully produced differentiated phosphate fertilizers such as “Linbao” and “Meilinmei”. At the same time, Sinochem Fuling broadened the channels of phosphogypsum consumption and utilization to fortified the fundamental for green sustainable development.

Sinochem Yunlong Co., Ltd. (“Sinochem Yunlong”) overcame sharp decline in product prices and other adverse factors, strengthened the FORUS system, tightened internal control and management, continued process innovation, enhanced quality and improved efficiency, resulting in steady enhancement in various key indicators. In the first half of 2024, Sinochem Yunlong produced 182,100 tons of MCP/DCP, and by overcoming difficulties such as the continuous increase in ocean freight and tight availability of cabin space, Sinochem Yunlong realized a profit before tax of RMB241.28 million, representing an increase of RMB4.10 million year-on-year. Sinochem Yunlong stays committed to the development of advanced and applicable green and low-carbon technologies by leveraging its own advantage in phosphorite resources, and achieved efficient utilization of phosphorus and fluorine. Sinochem Yunlong created an internationally competitive flexible manufacturing platform of fine phosphate (salt), which became a high quality plant and animal nutrition production base. Sinochem Yunlong built up a green ecological industrial system for the development of a circular economy, realised amount of consolidated utilization of phosphogypsum amounted to 686,000 tons, and the consolidated utilization rate remained at 100%, promoting the company’s green, low-carbon and high-quality development.

Taking lean operation as the core, Sinochem Jilin Changshan Chemical Co., Ltd. (“Sinochem Changshan”) continued to improve production efficiency and strengthen market competitiveness. In the first half of the year, synthetic ammonia production volume maintained in the historical best level; production equipment technology improvement and optimization achieved stable operation at low costs, and maintained steady and sustainable profitability. Profit before tax for the first half of 2024 was RMB42.2 million, however, due to the impact of low market prices of synthetic ammonia and urea, profit before tax decreased by RMB21.37 million year-on-year. Sinochem Changshan is firmly committed to the concept of green development, and the green power with carbon reduction and carbon dioxide recycling projects cooperated with third parties started as scheduled. Facing the future development, Sinochem Changshan will explore the extension of the fine chemical industry chain with its own resources, innovate the product channels, and build a grain storage guarantee base and diversified factories under the business model of “high load, low cost, and excellent species” in Northeast China.

### *Potash Fertilizer Operations*

In the first half of 2024, the international potash fertilizer production capacity was further released. Market oversupply was significant with weak prices, while the overall demand for spring cultivation in China was delayed due to the impact of weather factors, resulting in the price of potash fertilizer being on a downward trend and then on an upward trend. The Group continued to consolidate its strategic cooperation with major international potash fertilizer suppliers and enrich its diversified import system to ensure the supply of quality domestic potash fertilizer resources. The Group also maintained close contact with domestic potash fertilizer producers to increase the supply of potash fertilizers to key regions during the spring cultivation period. The



## Management Review and Prospect (continued)

Group further improved the marketing system of agricultural potassium with “Fenghexiang” as the core, simultaneously launched “Bio+” efficiency-enhancing potash fertilizer series “Weidefeng”, and strengthened the business capacity of potassium sulphate. The Group have also continued to strengthen terminal agricultural technology services to enhance the level on scientific use of potassium, promote the use of less fertilizers and efficiency improvement, gain market attention and recognition, and assist the development of the “Bio+” strategy.

### *Phosphate Fertilizer Operations*

In the first half of 2024, the Group fully utilized its strategic procurement advantages, actively explored overseas markets, and imported high-grade phosphorite, sulfur and other resources that are scarce in the PRC to support the domestic demand for phosphate fertilizer production. The Group also established a supply system led by comprehensive costs and provided comprehensive solutions focusing on ensuring supplies and prices for spring cultivation and upstream and downstream critical demand. The promotion of third-generation bio-phosphate fertilizer “Meilinmei” product series further enhanced the utilization rate of phosphate fertilizers, conserved phosphorite resources, protected soil health, and helped farmers increase production. In Jinan, Shandong Province, a value-added ammonium phosphate wheat demonstration field meeting was successfully held, with around 200 attendants including more than 10 scientific research institutes such as China Phosphate and Compound Fertilizer Industry Association, the Chinese Academy of Agricultural Sciences, China Agricultural University, and Sichuan University as well as leaders and experts of fertilizer enterprises and planting households. The unique “root promotion technology by active signal induction” of the Group’s products are excellent in activating phosphate and regulating crop growth, while the Meilinmei wheat demonstration field which

applied such technology had great performance in growth and production testing, received high recognition from the market and customers, and received attention and coverage from multiple media, which continued to enhance the influence of the brand of bio-phosphate fertilizer “Meilinmei”.

### *Compound Fertilizer Operations*

In the first half of 2024, the Group closely focused on the deployment of the “Bio+” strategy, adhered to the operation of differentiated product concentrated on building the single major products of bio-compound fertilizers, and continued to deepen the construction and adjustment of product structure, and the sales volume of the differentiated compound fertilizers amounted to 1,100,000 tons, representing a year-on-year growth of 14.62%. The Group shaped the core products with outstanding characteristics and brand influence represented by Lanlin, Yaxin, Kedefeng, Weigeshi, etc., and realized the launch of the first high-tower bio-organic and inorganic fertilizer product of “Huanfeng” series. The Group took brand promotion and technology marketing as the dual drivers around the core and major single products and accelerated the promotion of biological products, which led to a steady growth in the scale of volume and profit, with the sales volume of “Bio+” high-end products increased by 65% year-on-year. The Group continued to deepen the integrated operation and security system for research, production and marketing, realizing efficient synergies with the “product-oriented operation system”, achieving record high operation efficiency, realising a balance between supply and demand, and creating value for shareholders. The market influence of the Group’s bio-compound fertilizer brand continued to grow.

## Management Review and Prospect (continued)

### *Special Fertilizer Operations*

In the first half of 2024, the Group firmly supported its transformation towards an innovation leader in “bio-fertilizers and soil health”, with green sustainable development as the direction of its work, focused on the research and development of bio-fertilizers and new products and new technologies promoting soil health, and continuously enhanced its competitiveness. The overall production capacity of the specialty fertilizer business reached 185,000 tons, and the revenue amounted to RMB444 million, representing a year-on-year growth of 23.28%, and the scale of operation steadily increased. The Group continued to focus on the promotion and cultivation of strategic and major single products, with the sales volume of key “double excellence” products increasing by 50% year-on-year. The Group continued to strengthen internal production and sales synergies as well as capacity release, and proactively connected with external advantageous resources, such as Anglo American plc, to initiate the launch and marketing of new products such as Qiantianbi, Jiyishi and Weilizao, to cultivate new business growth points. Through continuous improvement of product quality and service level, the Group promoted the sustainable benign business development, which has become a new engine for the stable growth of the Group’s profit.

### **Business Collaboration**

In the first half of 2024, adhering to the strategy of promoting cross-business synergistic development of Syngenta Group China, the Group actively launched comprehensive synergistic development with various business units, promoted the high-quality and rapid development of crop protection and the seed synergistic business. The Group achieved RMB240 million of synergistic income from crop protection, with a three-year compound growth rate of 21%; and RMB33.96 million of synergistic income from seeds, and sold nearly 60 synergistic species of rice, corns, vegetables and wheat. In terms of production R&D, the Group collaborated with Sinochem Agriculture Holdings Limited in the customization and commercialization of the core masterbatch series of products, and sales fertilizer products worth of RMB510 million.

### **Technical Services and Digital Marketing Innovation**

In the first half of 2024, the Group continued to promote free soil testing services, technical guidance for field activities, online and offline technical seminars, and the protection of rights and anti-counterfeiting, and integrated quality resources to provide a full range of crop technical solutions for farmers. The Group carried out more than 30,000 activities in relation to comprehensive technical services. By combining soil improvement with fertilizer application, the Group explored new modes of scientific fertilizer application which improved the soil environment and reduced the amount of pesticide and fertilizer application. Fertilizer and pesticide solutions were developed according to the characteristics of crops, and good



## Management Review and Prospect (continued)

seeds and good methods were promoted for the efficient development of the agricultural industry. By combining big data and upgrades of information technology, “Nong Da Quan” and “Nong Xiao Hui” were launched to realize acceleration of user attraction and private domain tagging precipitation online and offline. A total of 15,000 “Nong Xiao Hui” online retail shops were formed with overall coverage of agricultural counties of over 95%. More than 6,000 offline promotion meetings were held, covering more than 300,000 farmers, and the digital marketing activities benefited more than 1.4 million farmers and reached more than 5 million people online to effectively serving end customers and farmers.

The Group deeply understood the significance of modern agricultural transformation and development in China, and followed the green sustainability concept of the Chinese Government to develop a bio-economy, solve soil health issues, accelerate the R&D, trial and demonstration and promotion of micro-organism fertilizer products. The Group vigorously carried out research in green agricultural planting techniques and actively promoted technological achievements such as precision fertilizer application, fertigation, microbial compounding, fungus and fertilizer coupling, biological activation and soil improvement, to assist the realisation of soil health. More than 400 technical service personnel worked on the field all year round and conducted activities such as technical training, soil testing and preparation fertilization as well as field guidance to safeguard the safety and high efficiency of farmers’ planting and production, to let modern agricultural technology benefiting more farmers and help them to increase production and income.

### 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 “Guidelines on Comprehensive Risk Management for Central Enterprises”, the “Basic Rules of Corporate Internal Control” and its referencing guidelines, and the “Measures for Compliance Management of Central Enterprises” of China as well as in compliance with the national requirements on strengthening internal control system establishment and supervision in recent years. With risk management orientation, the Group focused on alignment of internal control establishment with strategic development, setting up an internal control and management system integrated with business management, and formulating management and control processes. Through risk identification, assessment and response measures, the Group provided risk management alerts and responses to major risks throughout the entire process to protect the value of its enterprises.

In the first half of 2024, the Group fully implemented the requirements of the State-owned Assets Supervision and Administration Commission for the construction and supervision of internal control of state-owned enterprises, improved the internal control management system and mechanism, implemented the supervisory responsibilities of the Board of Directors for the internal control system, carried out special work on internal control

## Management Review and Prospect (continued)

improvement and improved the quality of the Company. The Group strengthened its system construction and revised and published 12 systems to continue to improve the internal control system and revise the new version of the handbook on authorities and responsibilities, to ensure the smooth and orderly proceeding of operation and management, and to better 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, including 8 Lecture Series Activities on topics of commencing business for business leaders and internal control and risks for department heads of the middle and back office. By professional department trainings, monthly theme-based meetings and announcements for heads of finance and risk, daily WeChat promotion of internal control and compliance management experience, and encouraged the management at all levels to firmly build a scientific concept of operation safety. The Group actively created a benign and compliance internal control culture for “steady operation and healthy development”. Strengthening informatization and enhancing accountability of each business unit, the Group focused on the incorporation of compliance and risk internal control and management requirements into business processes. The Group carried out risk identification work, monitored major risks, comprehensively investigated operational risk incidents and strengthened on the establishment of long-term mechanisms.

In the first half of 2024, the internal control and management of the Group met the compliance requirements of domestic and foreign external regulatory bodies and ensured compliant operation and healthy development of our business. The Group’s internal control and management function actively empowered, 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, effectively protected the interests of shareholders of the Group and asset safety, and improved the quality of operation and strategy implementation.

### Social Responsibility

With a view to serve the Chinese farmers wholeheartedly, the Group actively brought into full play 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 production periods of spring cultivation and summer sowing seasons. Meanwhile, the Group provided comprehensive and differentiated customized services for large-scale planters and new planting entities for guidance of scientific fertilization. By integrating high quality resources, the Group provided farmers with comprehensive training services such as crop nutrition, crop protection, sowing and planting techniques, and gradually developed into comprehensive crop cultivation solutions pinpointing various region across the country for cultivating various crops, to help farmers reduce planting costs improved quality of crops, and thus increased farmers’ income.



## Management Review and Prospect (continued)

The Group followed the requirements of ensuring supplies and prices, secured the supply of fertilizers in the domestic market by increasing the factory operating rate, the import of potash fertilizers, keeping commercial reserves of fertilizers, and enhanced biotechnology development to reduce the use of fertilizers and improve efficiency, thereby contributing to agricultural production and food security.

In the first half of 2024, the Group continued to provide crop technology solutions and technology benefits to farmers with the focus on the “Double Reduction and Increasing Efficiency” initiative, and held more than 30,000 comprehensive technical service activities in total. The Group established more than 1,500 fields for trial and demonstration purpose, and conducted more than 4,000 planting technique training sessions, directly benefiting more than 4 million farmers. When facing extreme weather such as low temperature, rainstorm, snow, ice and flooding, through initiating the manufacture assistance program of “Free Provision of Fertilizers and Technologies, Growth Promotion and Success in Spring Cultivation”, potash donation program of “Affection for the Disaster Areas and the Agriculture Industry, Securing Supply, Stabilizing Prices and Flood Relief”, arranging agricultural technical service personnel to provide technical guidance for local rice planting, the Group helped farmers cope with natural disasters to restore confidence in agriculture and recover economic losses.

In order to solve the issue of arable land, the Group implemented the strategic concept of “storing food in the ground” to support the high-quality development of agriculture, and took 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 “solving the issue of land and raising the potential of soil health” and the goal of “building a O2O soil health digital hospital”.

The “Houpu Soil Health+” service platform is to promote sustainability and commercialization of crop plantation by making use of digitalization and innovation as drivers, namely the creation of an open and innovative platform for soil health, a soil health indicator system, soil health products and technology systems, diversified service channels and an online and offline service platform within the open ecological circle, the industry’s leading soil health brand, which altogether would provide customers with diagnostic soil health assessment and advice, soil health enhancement services and sustainable soil health management services. A total of 18 sets of soil health indicator systems and 18 sets of soil health solutions applicable to different scenarios have been set up, which formed the first Houpu soil health service channel in China, and have been successfully practiced in many fields such as mine reclamation, forest land restoration, efficient utilization of saline-alkali land, and soil health improvement of special economic crops, demonstrating strong market vitality. The Group also successfully held the first Soil Health and Regenerative Agriculture Forum, and implemented the new talent training program on soil health, which achieved better social influence.

## Management Review and Prospect (continued)

### Outlook

For the second half of 2024, although geopolitical conflicts, climate change, supply chain and other issues may have an impact on the global economy, the highly increasing possibility of more countries decrease the interest rates to cope with pressure from economic growth. The trend of global economy is gradually recovering will be further supported. The Chinese Government will make comprehensive and systematic arrangements for further deepening of reforms, further promote structural reform on supply end, implement development strategy of innovative-driven new quality productive forces, thus the momentum of stable growth of the domestic economy will be sustained. The Group will actively respond to the uncertainties and challenges of the global economic environment, while seizing the opportunities brought by technological innovation, technology industry and consumption upgrading, consolidating the foundation for high-quality development, and vigorously promoting the development of the “Bio +” strategy.

As a leading enterprise of “bio-fertilizers and soil health innovation” in China, the Group will take the “Bio +” strategy as the guide, seize the development opportunities, continue to build the integrated research and development capabilities of “nutrient efficiency, biological preparations and soil health”, and play the integrated advantages of research, production and marketing through biotechnology innovation drive and industrial upgrades. The Group will increase the R&D investment and conversion rate of “Bio +” new fertilizers, and consolidated the capability for sustainable growth and the cultivation of new quality productive forces. By strengthening brand building, improving product quality and service levels, the Group will continue to create value for shareholders. The Group actively undertake the task of potash fertilizers reserve, implement the policy of ensuring supplies and prices, provide an important guarantee for the increase of grain production and farmer’s income, so as to promote the sustainable and healthy development of the Chinese agriculture industry.





# Management's Discussion and Analysis

For the six months ended 30 June 2024, sales volume of the Group was 4.66 million tons, up by 17.38% over the six months ended 30 June 2023. Revenue of the Group was RMB13,681 million, up by 4.21% over the six months ended 30 June 2023. For the six months ended 30 June 2024, gross profit of the Group was RMB1,663 million, up by 7.29% over the six months ended 30 June 2023. Profit attributable to owners of the Company was RMB1,051 million, increased by 4.68% over the six months ended 30 June 2023.

## I. OPERATION SCALE

### (I) Sales volume

For the six months ended 30 June 2024, the Group recorded sales volume of 4.66 million tons, up by 17.38% over the six months ended 30 June 2023. In the first half of 2024, domestic economic operation was generally stable and progressing steadily. China attached great importance to the protection of arable land and food security, and strongly supported the development and application of biotechnology, which presented new opportunities and challenges for the Group's development. Under the guidance of the policy of "ensure supplies and prices", the Group accelerated the progress of fertilizer preparation, placed fertilizers on the market in a timely and orderly manner, strengthened the safeguard of agricultural inputs, ensured sufficient supply of end-use goods, achieved a significant increase in sales volume.

The Group actively followed the requirement of "strengthening the science and technology support for the agriculture industry" as stated in China's No. 1 Central Document, vigorously promote the implementation of the "Bio+" strategy, made continuous efforts in adjusting the structure, improving the quality and increasing the efficiency, and endeavoured to stimulate the internal dynamics and vitality. The steady increase in sales of "Bio+" products drove the continuous growth of the Group's performance. For the six months ended 30 June 2024, the total sales volume of various differentiated products was 1.32 million tons, up by 14.56% year on year, in which, the sales of differentiated compound fertilizers was 1.10 million tons, up by 14.62% year on year.

## Management's Discussion and Analysis (continued)

### (II) Revenue

For the six months ended 30 June 2024, the Group recorded revenue of RMB13,681 million, up by RMB553 million or 4.21% over the six months ended 30 June 2023, mainly due to the increase in sales volume.

**Table 1:**

	For the six months ended 30 June			
	2024		2023	
	Revenue RMB'000	As percentage of total revenue	Revenue RMB'000	As percentage of total revenue
Compound fertilizers	4,691,743	34.29%	4,528,876	34.50%
Phosphate fertilizers	4,175,840	30.52%	3,475,313	26.47%
Potash fertilizers	2,507,905	18.33%	2,872,389	21.88%
Monocalcium/Dicalcium phosphate (MCP/DCP)	672,023	4.91%	674,395	5.14%
Special fertilizers	443,668	3.24%	359,881	2.74%
Others	1,189,693	8.71%	1,217,073	9.27%
<b>Total</b>	<b>13,680,872</b>	<b>100.00%</b>	<b>13,127,927</b>	<b>100.00%</b>



## Management's Discussion and Analysis (continued)

### (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 sales of strategically procured potash fertilizers, phosphate fertilizers and sulphur; the Growth Business Segment is responsible for research, production and marketing of bio-compound fertilizers and special fertilizers, and sales of crop protection (products) and seeds through internal collaboration with Syngenta Group; and the Production Segment is responsible for production and sales business of Sinochem Yunlong, Sinochem Fuling and Sinochem Changshan.

Below sets forth an analysis of the Group's revenue and profit by the above segments for the six months ended 30 June 2024 and the six months ended 30 June 2023:

**Table 2:**

	For the six months ended 30 June 2024				
	Basic Business RMB'000	Growth Business RMB'000	Production Business RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue</b>					
External revenue	6,877,763	5,555,240	1,247,869	–	13,680,872
Internal revenue	905,584	1,871,849	1,705,562	(4,482,995)	–
Segment revenue	7,783,347	7,427,089	2,953,431	(4,482,995)	13,680,872
Segment profit	468,707	398,244	356,993	–	1,223,944
	For the six months ended 30 June 2023				
	Basic Business RMB'000	Growth Business RMB'000	Production Business RMB'000	Elimination RMB'000	Total RMB'000
<b>Revenue</b>					
External revenue	6,467,950	5,278,397	1,381,580	–	13,127,927
Internal revenue	619,859	1,762,097	1,346,922	(3,728,878)	–
Segment revenue	7,087,809	7,040,494	2,728,502	(3,728,878)	13,127,927
Segment profit	534,689	314,470	356,036	–	1,205,195

## Management's Discussion and Analysis (continued)

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 bank and other borrowings. This is the measure reported to the Group's chief operating decision-maker for the purposes of resource allocation and segment performance assessment.

For the six months ended 30 June 2024, the external revenue of the Group increased by RMB553 million or 4.21% over the six months ended 30 June 2023, mainly resulted from the increase of sales volume.

For the six months ended 30 June 2024, the segment profit of the Group was RMB1,224 million. While deepening strategic partnerships with core suppliers, the Basic Business Segment actively sought cooperation with emerging suppliers and strengthened the development and acquisition of high-quality resources, achieving a segment profit of RMB469 million in the first half of 2024. The Growth Business Segment focused on the use of less fertilizers and efficiency improvement, market demand orientation, continuous iterative upgrades of differentiated products and continuous strengthening of channel construction and brand influence, achieving a segment profit of RMB398 million in the first half of 2024, representing an increase of 27% as compared with the corresponding period of the previous year. The Production Segment anchored the goal of quality improvement and efficiency enhancement, released plant capacity by adopting various measures and increased technical investment to improve product quality, achieved a segment profit of RMB357 million.

## II. PROFIT

### *(i) Share of results of joint ventures and associates*

Share of results of joint ventures: For the six months ended 30 June 2024, the Group's share of results of joint ventures was a profit of RMB108 million, representing a decrease of RMB7 million as compared with share of results of joint ventures amounted to a profit of RMB115 million over the six months ended 30 June 2023, which was mainly attributable to the share of results of Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. amounting to a profit of RMB104 million, representing a decrease of RMB9 million over the corresponding period last year.



## Management's Discussion and Analysis (continued)

Share of results of associates: For the six months ended 30 June 2024, the Group's share of results of associates was a profit of RMB44 million, representing an increase of RMB58 million as compared with share of results of associates amounting to a loss of RMB14 million for the six months ended 30 June 2023, which was mainly attributable to the share of results of Guizhou Xinxin Industrial Holdings Group Co., Ltd. and Guizhou Xinxin Coal Chemical Co., Ltd. ("Guizhou Xinxin") amounting to a profit of RMB38 million, representing an increase of RMB24 million over the corresponding period last year.

### **(II) Income tax**

For the six months ended 30 June 2024, the Group's income tax was RMB166 million, of which current tax was RMB171 million and deferred tax was negative RMB5 million. Current tax of the first half of 2024 increased by RMB88 million, or 106% as compared with the corresponding period of the previous year. This is mainly due to the fact that the deductible losses in previous years of Sinochem Fertilizer, a subsidiary of the Company, has expired in 2023 and its Mainland China income tax for the current year will be calculated at the rate of 25%.

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, Macao, Hong Kong and Singapore is 25%, 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 six months ended 30 June 2024, profit attributable to owners of the Company was RMB1,051 million, representing an increase of 4.68% as compared with RMB1,004 million for the six months ended 30 June 2023. As a leading enterprise in the fertilizer industry, the Group has actively fulfilled its social responsibilities, closely incorporated ensuring supplies and prices in its business operations. Guided by the "Bio+" strategy and relied on the technology and resource advantages of the Syngenta Group, the Group accelerated product innovation and product structure optimization, overcame the adverse impact of volatile prices of products, and maintained a good level of profitability.

For the six months ended 30 June 2024, the net profit margin of the Group, calculated by dividing profit attributable to owners of the Company by revenue, was 7.68%, which was basically unchanged over the same period of last year.

## Management's Discussion and Analysis (continued)

### III. EXPENSES

For the six months ended 30 June 2024, the three categories of expenses amounted to RMB675 million, representing a slight increase compared with RMB639 million for the six months ended 30 June 2023, of which:

**Selling and distribution expenses:** For the six months ended 30 June 2024, selling and distribution expenses amounted to RMB317 million, up by RMB31 million or 10.84% compared with RMB286 million for the six months ended 30 June 2023. This was mainly attributable to the increase in marketing expenses for the Group's efforts to promote "Bio +" core products and enhance brand awareness. The increase in selling expenses was lower than the 17.38% increase in sales volume.

**Administrative expenses:** For the six months ended 30 June 2024, administrative expenses amounted to RMB327 million, which was basically unchanged from RMB317 million for the six months ended 30 June 2023.

**Finance costs:** For the six months ended 30 June 2024, finance costs amounted to RMB31 million, which was basically unchanged from RMB36 million for the six months ended 30 June 2023.

### IV. OTHER INCOME AND GAINS

For the six months ended 30 June 2024, the Group's other income and gains amounted to RMB126 million, down by RMB121 million compared with RMB247 million for the six months ended 30 June 2023. This mainly consisted of interest income, sales of scrapped materials and raw materials, government grants, and business disposal income. The business disposal income was mainly attributable to the disposal of the nitrogen fertilizer business unit and related assets by Sinochem Fertilizer to Yitong Digital Technology Co., Ltd. ("Yitong Digital Technology"), an associate, at a consideration of RMB42 million.

### V. OTHER EXPENSES AND LOSSES

For the six months ended 30 June 2024, the Group's other expenses and losses amounted to RMB27 million, down by RMB77 million compared with RMB104 million for the six months ended 30 June 2023. This mainly consisted of loss on changes in the fair value of derivatives.



## Management's Discussion and Analysis (continued)

### VI. INVENTORIES

As at 30 June 2024, the inventories balance of the Group amounted to RMB3,419 million, down by RMB2,265 million or 39.85% compared with RMB5,684 million as at 31 December 2023. The Group reduced its inventory size by approximately 40% compared to the beginning of the year, as to reasonably controlled inventory risk exposure in order to cope with the drastic fluctuations in commodity prices after the sales of the spring cultivation season, under the premise of ensuring normal operations. Inventory turnover days decreased by 15 days to 70 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 180 days.

### VII. TRADE AND BILLS RECEIVABLES

As at 30 June 2024, the balance of the Group's trade and bills receivables amounted to RMB723 million, increased by RMB253 million or 53.83% compared with RMB470 million as at 31 December 2023, which was mainly due to the increase in trade receivables. Trade receivable are mainly credits granted to Sinopec Marketing Company Limited and China National Petroleum Corporation, which are special drains customers with controllable credit risks. The Group actively prevented credit risk, and the turnover days of trade and bills receivables in the first half of 2024 was 8 days, consistent with the turnover days in the first half of 2023.

*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 180 days.

### VIII. LOANS TO A FELLOW SUBSIDIARY

As at 30 June 2024, the balance of the Group's loans to a fellow subsidiary amounted to RMB300 million, down by RMB500 million compared with RMB800 million as at 31 December 2023, all of which were for the provision of funds to Sinochem Agriculture Holdings Limited.

### IX. INTERESTS IN JOINT VENTURES AND ASSOCIATES

As at 30 June 2024, the balance of the Group's interests in joint ventures and associates amounted to RMB1,237 million, up by RMB128 million or 11.54% compared with RMB1,109 million as at 31 December 2023, mainly due to the increase in the profit of joint ventures and associates. In the first half of 2024, accounted under the equity method, the Group's share of investment gains of joint ventures and associates amounted to a total of RMB152 million, of which the capital increase and share expansion of the Company's associate Yitong Digital Technology resulted in passive dilution of the Company's equity interest, and the passive dilution generated profits and recognized investment income of RMB23 million. Dividend distribution by Guizhou Xinxin for the current period resulted in a decrease in the interests in associates of RMB24 million.

## Management's Discussion and Analysis (continued)

### X. OTHER EQUITY SECURITIES

As at 30 June 2024, the Group's balance of other equity securities amounted to RMB46 million, representing a decrease of RMB118 million from RMB164 million as at 31 December 2023, which was mainly attributable to the decrease in the registered capital and fair value of the equity of Guizhou Kailin Holdings (Group) Co., Ltd held by the Group.

### XI. LOAN TO AN ASSOCIATE

As at 30 June 2024, the Group's balance of loans to associates amounted to RMB168 million. In December 2023, Yangmei Pingyuan Chemical Company Limited ("Yangmei Pingyuan") received a mandatory shutdown notice from the People's Government of Pingyuan County, resulting in the cessation of operations of Yangmei Pingyuan and affected its cash flow. In order to actively and orderly settle employees, Yangmei Pingyuan borrowed funds from shareholders, and the Group provided a two-year loan of RMB168 million in January 2024 according to its shareholding ratio. For details of the above incident, please refer to the Company's announcement dated 28 January 2024.

### XII. INTEREST-BEARING LIABILITIES

As at 30 June 2024, the Group's total interest-bearing liabilities amounted to RMB1,810 million, representing a decrease of RMB19 million or 1.04% from RMB1,829 million as at 31 December 2023, which was mainly due to the repayment of bank loans during the period. For details of the interest-bearing liabilities, please refer to the section headed "XVI. LIQUIDITY AND FINANCIAL RESOURCES".

### XIII. TRADE AND BILL PAYABLES

As at 30 June 2024, the balance of the Group's trade and bills payables amounted to RMB3,436 million, representing a decrease of RMB336 million or 8.91% from RMB3,772 million as at 31 December 2023, which was mainly due to the payment made due to expiry of letters of credit of Sinochem Fertilizer Macao Limited, a subsidiary of the Company.





## Management’s Discussion and Analysis (continued)

### XIV. OTHER PAYABLES AND PROVISION

As at 30 June 2024, the balance of the Group’s other payables and provision amounted to RMB1,403 million, remain stable as compared with RMB1,409 million as at 31 December 2023. In 2023, the Group provided guarantee on pledged cash deposits for the loans of Yangmei Pingyuan, and due to the insolvency of Yangmei Pingyuan, the Group recorded an expected credit impairment loss of RMB328 million on the pledge contracts that provided guarantee for Yangmei Pingyuan. In January 2024, when part of the guaranteed loan matured, the relevant banks required the Group to perform its guarantee repayment obligations, and the Group repaid to the bank the principal and interest in respect of the guaranteed loans of Yangmei Pingyuan. For details of the above incident, please refer to the Company’s announcement dated 3 January 2024.

### XV. 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 six months ended 30 June 2024, the Group’s basic earnings per share was RMB0.1496 and return on equity (ROE) was 10.47%, representing an increase of 0.23 percentage point as compared to the first half of 2023.

**Table 3:**

	For the six months ended 30 June	
	2024	2023
<b>Profitability</b>		
Earning per share (RMB) <sup>(Note 1)</sup>	0.1496	0.1429
ROE <sup>(Note 2)</sup>	10.47%	10.24%

*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 30 June 2024, the Group’s current ratio was 1.39, and its debt-to-equity ratio was 17.06%, which further strengthened the repayment capacity of the Group. The Group enjoyed relatively high banking facilities and smooth financing channels, and a diversification of funding modalities.

## Management's Discussion and Analysis (continued)

**Table 4:**

	<b>At 30 June 2024</b>	At 31 December 2023
<b>Solvency</b>		
Current ratio <sup>(Note 1)</sup>	1.39	1.33
Debt-to-equity ratio <sup>(Note 2)</sup>	17.06%	18.45%

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

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

### XVI. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2024, cash and cash equivalents of the Group amounted to RMB3,762 million, which was mainly denominated in RMB and US dollar.

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

**Table 5:**

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Bank borrowings and other borrowings <sup>(Note 1)</sup>	1,741,974	1,788,858
Lease liabilities	68,307	40,110
<b>Total</b>	<b>1,810,281</b>	<b>1,828,968</b>

Note 1: For details of the guarantee and security of bank borrowings and other borrowings, please refer to note 12 of the Notes to Condensed Consolidated Financial Statements.



## Management's Discussion and Analysis (continued)

**Table 6:**

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Carrying amount of interest-bearing liabilities		
Within one year	696,050	612,527
More than one year	1,114,231	1,216,441
<b>Total</b>	<b>1,810,281</b>	<b>1,828,968</b>

**Table 7:**

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Fixed-rate interest-bearing liabilities	527,479	483,068
Floating-rate interest-bearing liabilities	1,282,802	1,345,900
<b>Total</b>	<b>1,810,281</b>	<b>1,828,968</b>

As at 30 June 2024, the Group had banking facilities equivalent to RMB24,204 million, including US\$759 million and RMB18,792 million. The unutilized banking facilities amounted to RMB21,214 million, including US\$728 million and RMB16,020 million.

The Group planned to repay the above loans with internal resources.

## Management's Discussion and Analysis (continued)

### XVII. OPERATIONAL AND FINANCIAL RISKS

The Group's major operational risks include the followings: in 2024, the global economy faces multiple challenges such as a slowdown in trade and investment, monetary and fiscal policy adjustments as well as high interest rates, geopolitical tensions and climate risks while recovering moderately. The Chinese economy has maintained overall stability while making progress, but it is still subject to the adverse impact of geopolitical conflicts, international trade frictions and insufficient domestic demand. Under the influence of factors such as energy conservation, environmental protection, the use of less fertilizer and efficiency improvement and export policy orientation, the market competition in the fertilizer industry has become more intense. The Group adheres to the innovative development of biofertilizers and soil health, continuously improves the research and development capability of "Bio+", actively adjusts the product mix, focuses on the creation of strategic single products, and continuously strengthens the channel construction by focusing on target markets and target crops to provide refined services and achieve sustainable development.

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 intensified efforts in pollution control by the government, enterprises are required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group that are 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 have formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency disposal materials, seriously performed emergency response exercises, and promptly launch emergency plans to limit production during heavy pollution weather. In the first half of 2024, no major environmental pollution incidents occurred at the Company.



## Management's Discussion and Analysis (continued)

### *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 businesses to enhance its market influence, and meanwhile, the risk from cyberattacks to the information system also increases.

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

### *Risks associated with data fraud or theft*

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

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

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

## Management's Discussion and Analysis (continued)

### *Market risk*

Market risk includes currency risk, interest rate risk and other price risk. Currency risk represents the unfavorable change in exchange rates that may have an impact on the Group's financial results and cash flows. Interest rate risk represents the unfavorable change in interest rates that may lead to changes in the fair value of the Group's fixed-rate borrowings and other deposit. Other price risk represents the risk related to the value of the Group's equity investments, which 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, the exchange rate fluctuations have an impact on the import and export prices. The management of the Group has always taken prudent measures like foreign exchange forward to hedge exchange rate risk, and continues 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 30 June 2024. If there is a lack of credit risk management, bad debt losses of the Company, as a result of unrecoverable accounts receivable and unavailable inventory after advance payment for procurement, may influence its normal operation.

The Group has adequate management procedures, response mechanisms and supervision measures in respect of granting credit line and credit period, collection of overdue accounts and other related aspects. Through credit evaluation, transaction management, process monitoring and disposal of overdue accounts for credit customers, the Group develops risk management strategies and measures to prevent and control the risk, allocates more credit resources to strategic and high-quality core customers and suppliers, and transfers bad debt risks by proper utilization of various risk protection measures, to ensure that the credit business is well monitored and guaranteed. The Group examines the recovery of its major trade receivables on the settlement date every month to ensure adequate bad debt provisions are made on unrecoverable accounts receivable.

### *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 funding 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.



## Management's Discussion and Analysis (continued)

### XVIII. CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no contingent liabilities.

### XIX. CAPITAL COMMITMENT

Table 8:

	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Contracted but not provided for – Property, plant and equipment	41,506	59,075

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

### XX. 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 the Directors are determined with reference to their responsibilities, qualifications, experience and performance. These include performance bonus determined based on the 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.

## Management's Discussion and Analysis (continued)

The Group reviews its remuneration policy annually and, if necessary, engages professional consultants, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 30 June 2024, the Group had about 4,379 full-time employees (including those employed by the Group's subsidiaries), and their remuneration is determined with reference to market rates. No individual employee shall have the right to determine his/her own remuneration.

In addition to the basic remuneration, the Group also values the importance of training and career development of employees. In the first half of 2024, the Group provided around 4,245 person-times or 28,865 hours of training (excluding any training organized by the subsidiaries) to employees. The training courses covered areas such as leadership enhancement, marketing management, product knowledge, 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 has also arranged directors and 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.





# Interim Review Report



## Review report to the board of directors of Sinofert Holdings Limited

*(Incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the interim financial report set out on pages 40 to 71 which comprises the consolidated statement of financial position of Sinofert Holdings Limited as of 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

26 August 2024

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024 – unaudited  
(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Revenue</b>	3	13,680,872	13,127,927
Cost of sales		(12,018,296)	(11,577,672)
<b>Gross profit</b>		1,662,576	1,550,255
Other income and gains		126,182	246,986
Selling and distribution expenses		(317,166)	(285,899)
Administrative expenses		(327,186)	(316,544)
Other expenses and losses		(26,694)	(103,913)
<b>Profit from operations</b>		1,117,712	1,090,885
Share of results of associates		44,136	(14,067)
Share of results of joint ventures		108,180	114,961
Finance costs	4(a)	(31,419)	(36,365)
<b>Profit before taxation</b>	4	1,238,609	1,155,414
Income tax	5	(166,017)	(83,995)
<b>Profit for the period</b>		1,072,592	1,071,419
<b>Profit for the period attributable to:</b>			
– Owners of the Company		1,050,926	1,003,919
– Non-controlling interests		21,666	67,500
		1,072,592	1,071,419



## Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2024 – unaudited  
(Expressed in RMB)

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
<b>Profit for the period</b>		<b>1,072,592</b>	1,071,419
<b>Other comprehensive income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(88,658)	(16,102)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		12,650	18,342
<b>Other comprehensive income for the period</b>		<b>(76,008)</b>	2,240
<b>Total comprehensive income for the period</b>		<b>996,584</b>	1,073,659
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		974,918	1,006,159
– Non-controlling interests		21,666	67,500
		<b>996,584</b>	1,073,659
<b>Earnings per share</b>	6		
Basic and diluted (RMB)		0.1496	0.1429

The notes on pages 47 to 71 form part of this interim financial report. Details of dividends payable to owners of the Company are set out in Note 13.

# Consolidated Statement of Financial Position

At 30 June 2024 – unaudited  
(Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	7	4,621,605	4,580,075
Right-of-use assets		716,808	698,589
Mining rights		278,671	292,527
Intangible assets		36,860	10,198
Goodwill	8	856,454	854,137
Interests in associates		355,957	335,821
Interests in joint ventures		881,215	773,035
Other equity securities		46,142	164,353
Loan to an associate		167,667	–
Time deposits		701,146	–
Prepayments for acquisition of property, plant and equipment		42,999	52,752
Deferred tax assets		85,770	55,527
Other long-term assets		29,516	37,547
		<b>8,820,810</b>	<b>7,854,561</b>
<b>Current assets</b>			
Inventories		3,418,501	5,683,619
Trade and bills receivables	9	723,065	469,532
Other receivables and prepayments		1,056,369	2,032,441
Other current assets		895,951	895,995
Loans to a fellow subsidiary		300,000	800,000
Other financial assets		–	13,046
Time deposits		954,954	–
Restricted bank deposits		26,733	326,574
Cash and cash equivalents		3,761,962	3,907,133
		<b>11,137,535</b>	<b>14,128,340</b>



## Consolidated Statement of Financial Position (continued)

At 30 June 2024 – unaudited  
(Expressed in RMB)

	<i>Note</i>	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
<b>Current liabilities</b>			
Trade and bills payables	10	3,435,510	3,771,752
Contract liabilities		2,347,354	4,797,013
Other payables and provision	11	1,402,866	1,409,151
Bank and other borrowings	12	667,476	588,013
Lease liabilities		28,574	24,514
Tax liabilities		124,389	41,378
		<b>8,006,169</b>	<b>10,631,821</b>
<b>Net current assets</b>			
		<b>3,131,366</b>	<b>3,496,519</b>
<b>Total assets less current liabilities</b>			
		<b>11,952,176</b>	<b>11,351,080</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	12	1,074,498	1,200,845
Lease liabilities		39,733	15,596
Deferred income		94,132	76,065
Deferred tax liabilities		114,892	119,446
Other long-term liabilities		20,344	20,344
		<b>1,343,599</b>	<b>1,432,296</b>
<b>NET ASSETS</b>			
		<b>10,608,577</b>	<b>9,918,784</b>
<b>CAPITAL AND RESERVES</b>			
Issued equity		5,887,384	5,887,384
Reserves		4,484,186	3,824,059
Total equity attributable to owners of the Company		<b>10,371,570</b>	<b>9,711,443</b>
Non-controlling interests		<b>237,007</b>	<b>207,341</b>
<b>TOTAL EQUITY</b>			
		<b>10,608,577</b>	<b>9,918,784</b>

The notes on pages 47 to 71 form part of this interim financial report.

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – unaudited  
(Expressed in RMB)

	Attributable to owners of the Company										
	Issued equity	Capital and other reserve	Statutory reserve	Contributed surplus	Fair value reserve (non-recycling)	Special reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2024</b>	5,887,384	508,662	366,484	670,469	(192,375)	81,275	(629,801)	3,019,345	9,711,443	207,341	9,918,784
Profit for the period	-	-	-	-	-	-	-	1,050,926	1,050,926	21,666	1,072,592
Other comprehensive income for the period	-	-	-	-	(88,658)	-	12,650	-	(76,008)	-	(76,008)
Total comprehensive income for the period	-	-	-	-	(88,658)	-	12,650	1,050,926	974,918	21,666	996,584
Capital injection from shareholders	-	-	-	-	-	-	-	-	-	8,000	8,000
Maintenance and production fund	-	-	-	-	-	6,889	-	(6,889)	-	-	-
Dividend declared (Note 13(b))	-	-	-	(314,791)	-	-	-	-	(314,791)	-	(314,791)
	-	-	-	(314,791)	(88,658)	6,889	12,650	1,044,037	660,127	29,666	689,793
<b>Balance at 30 June 2024</b>	5,887,384	508,662	366,484	355,678	(281,033)	88,164	(617,151)	4,063,382	10,371,570	237,007	10,608,577

	Attributable to owners of the Company										
	Issued equity	Capital and other reserve	Statutory reserve	Contributed surplus	Fair value reserve (non-recycling)	Special reserve	Exchange reserve	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2023</b>	5,887,384	508,662	366,484	1,073,872	(173,887)	72,955	(634,144)	2,402,116	9,503,442	228,204	9,731,646
Profit for the period	-	-	-	-	-	-	-	1,003,919	1,003,919	67,500	1,071,419
Other comprehensive income for the period	-	-	-	-	(16,102)	-	18,342	-	2,240	-	2,240
Total comprehensive income for the period	-	-	-	-	(16,102)	-	18,342	1,003,919	1,006,159	67,500	1,073,659
Maintenance and production fund	-	-	-	-	-	4,597	-	(4,597)	-	-	-
Dividend declared (Note 13(b))	-	-	-	(403,403)	-	-	-	-	(403,403)	-	(403,403)
	-	-	-	(403,403)	(16,102)	4,597	18,342	999,322	602,756	67,500	670,256
<b>Balance at 30 June 2023</b>	5,887,384	508,662	366,484	670,469	(189,989)	77,552	(615,802)	3,401,438	10,106,198	295,704	10,401,902

The notes on pages 47 to 71 form part of this interim financial report.



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2024 – unaudited  
(Expressed in RMB)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Operating activities</b>		
Cash generated from operations	1,300,736	1,278,080
Income tax paid	(88,250)	(63,442)
<b>Net cash generated from operating activities</b>	<b>1,212,486</b>	<b>1,214,638</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(105,650)	(250,256)
Proceeds from disposals of property, plant and equipment	2,497	10,016
Proceeds from disposals of business	41,521	–
Addition of other long-term assets	(5,103)	(4,604)
Loans to a fellow subsidiary	(800,000)	(800,000)
Loan to an associate	(167,667)	–
Loans repaid by a fellow subsidiary	1,300,000	–
Interest received from a fellow subsidiary	7,274	520
Interest received from other deposits	22,123	–
Placement of time deposits	(1,650,000)	–
Dividends received from an associate	80,000	–
Dividends received from a joint venture	–	60,000
<b>Net cash used in investing activities</b>	<b>(1,275,005)</b>	<b>(984,324)</b>

## Condensed Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2024 – unaudited  
(Expressed in RMB)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Financing activities</b>		
Repayment of bank loans	(373,764)	(1,616,801)
Proceeds from new bank and other borrowings	326,880	1,677,382
Capital element of lease rentals paid	(14,222)	(20,888)
Interest element of lease rentals paid	(1,225)	(1,129)
Other Interest paid	(29,906)	(34,515)
Capital injection from non-controlling interest	8,000	–
<b>Net cash (used in)/generated from financing activities</b>	<b>(84,237)</b>	<b>4,049</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(146,756)</b>	<b>234,363</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>3,907,133</b>	<b>3,356,184</b>
<b>Effect of foreign exchange rate changes</b>	<b>1,585</b>	<b>20,549</b>
<b>Cash and cash equivalents at 30 June</b>	<b>3,761,962</b>	<b>3,611,096</b>

The notes on pages 47 to 71 form part of this interim financial report.





# Notes to Condensed Consolidated Financial Statements

(Expressed in RMB unless otherwise indicated)

## 1 Basis of preparation

This interim financial report of Sinofert Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorized for issue on 26 August 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 2.

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

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 39.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2023 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2024.

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 2 Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

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

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



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting

#### (a) Disaggregation of revenue

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products of service lines		
– Sales of compound fertilizers	4,691,743	4,528,876
– Sales of phosphate fertilizers	4,175,840	3,475,313
– Sales of potash fertilizers	2,507,905	2,872,389
– Sales of monocalcium/dicalcium phosphate (“MCP/DCP”)	672,023	674,395
– Sales of special fertilizers	443,668	359,881
– Sales of other products	1,189,693	1,217,073
	<b>13,680,872</b>	<b>13,127,927</b>
Disaggregated by geographical location of customers		
– Mainland China	13,114,553	12,611,224
– Others	566,319	516,703
	<b>13,680,872</b>	<b>13,127,927</b>

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

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting (continued)

#### *(b) Segment reporting*

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

- Basic business: sales of strategically procured potash fertilizers, phosphate fertilizers and sulphur;
- Growth business: research, production and marketing of bio-compound fertilizers and special fertilizers, and sales of crop protection (products) and seeds through internal collaboration with Syngenta Group Co., Ltd. ("Syngenta Group");
- Production: production and sales business of Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), Sinochem Fuling Chongqing Industry Co., Ltd. and Sinochem Jilin Changshan Chemical Co., Ltd..



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting (continued)

#### (b) Segment reporting (continued)

	For the six months ended 30 June 2024				
	Basic business RMB'000	Growth business RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
External revenue	6,877,763	5,555,240	1,247,869	–	13,680,872
Internal revenue	905,584	1,871,849	1,705,562	(4,482,995)	–
Reportable segment revenue	7,783,347	7,427,089	2,953,431	(4,482,995)	13,680,872
Share of results of associates	–	–	39,568	–	39,568
Segment profit	468,707	398,244	356,993	–	1,223,944
Unallocated share of results of associates					4,568
Unallocated share of results of joint ventures					108,180
Unallocated expenses					(185,775)
Unallocated income					87,692
Profit before taxation					1,238,609

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 3 Revenue and segment reporting (continued)

#### (b) Segment reporting (continued)

	For the six months ended 30 June 2023				
	Basic business RMB'000	Growth business RMB'000	Production RMB'000	Elimination RMB'000	Total RMB'000
External revenue	6,467,950	5,278,397	1,381,580	–	13,127,927
Internal revenue	619,859	1,762,097	1,346,922	(3,728,878)	–
Reportable segment revenue	7,087,809	7,040,494	2,728,502	(3,728,878)	13,127,927
Share of results of associates	–	–	19,862	–	19,862
Segment profit	534,689	314,470	356,036	–	1,205,195
Unallocated share of results of associates					(33,929)
Unallocated share of results of joint ventures					114,961
Unallocated expenses					(142,145)
Unallocated income					11,332
Profit before taxation					1,155,414

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



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 4 Profit before taxation

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

#### (a) Finance costs

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interest on bank and other borrowings	30,194	35,236
Interest on lease liabilities	1,225	1,129
	31,419	36,365

#### (b) Other items

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Depreciation charge		
– owned property, plant and equipment	169,263	160,722
– right-of-use assets	15,414	26,536
Amortization of mining rights	13,856	13,669
Amortization of other long-term assets	13,134	9,091
Impairment of other receivables	125	–
Release of deferred income	(5,023)	(4,052)
Loss/(gain) on disposal of property, plant and equipment	1,222	(148,504)
Gain on disposal of business (Note)	(41,521)	–
Write-down of inventories	925	79,592

Note:

Sinochem Fertilizer Company Limited (“Sinochem Fertilizer”), an indirect wholly-owned subsidiary of the Company, has sold its nitrogen fertilizer business unit and related assets to Yitong Digital Technology Co., Ltd (“Yitong Digital Technology”), an associate of the Company, with a consideration of RMB41,521,000.

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 5 Income tax

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax – PRC Enterprise Income Tax	171,261	82,601
Deferred taxation	(5,244)	1,394
	166,017	83,995

- (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 is calculated by applying at 16.5% (2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024.
- (iii) The provision for the PRC Enterprise Income Tax is based on the statutory rate of 25% (2023: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies.
- (iv) The provision for Macao SAR Profits Tax is calculated by applying at 12% (2023: 12%) of the estimated assessable profits for the six months ended 30 June 2024.
- (v) The provision for Singapore Profits Tax is calculated by applying at 17% (2023: 17%) of the estimated assessable profits for the six months ended 30 June 2024.
- (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. So far the Pillar Two model didn't have a significant impact on the consolidated financial statements and no Pillar Two income tax was recognized during the six months ended 30 June 2024.





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 6 Earnings per share

The calculation of basic earnings per share is as follows:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Profit attributable to owners of the Company</b>		
Profit for the purpose of basic earnings per share	1,050,926	1,003,919
	<b>'000 shares</b>	<b>'000 shares</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,024,456	7,024,456

The Group has no dilutive ordinary shares outstanding for the periods ended 30 June 2024 and 2023. Therefore, there was no difference between basic and diluted earnings per share.

### 7 Property, plant and equipment

#### (a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment with a cost of RMB243,692,000 (the corresponding period in 2023: RMB391,296,000). Items of property, plant and equipment with a net book value of RMB3,719,000 were disposed of (the corresponding period in 2023: RMB45,264,000), resulting in a loss on disposal of RMB1,222,000 (gain in the corresponding period in 2023: RMB148,504,000).

#### (b) Impairment losses

No impairment loss was recognized during the six months period ended 30 June 2024 (the corresponding period in 2023: Nil).

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 8 Goodwill

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
<b>Carrying Amount</b>		
At 1 January	854,137	849,538
Exchange adjustments	2,317	4,599
At 30 June/31 December	856,454	854,137

For the purposes of impairment testing, goodwill has been allocated to the cash generating units (“CGUs”) of the related segments as follows:

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Basic business	196,920	195,517
Growth business	92,668	92,008
Production		
– Sinochem Yunlong	531,074	531,074
– Others	35,792	35,538
	856,454	854,137

The value in use calculated is higher than the carrying amount for each CGU, accordingly, no impairment of goodwill was recognized for the period ended 30 June 2024 and 2023.



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 9 Trade and bills receivables

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Trade receivables	260,199	45,001
Less: loss allowance	(2,978)	(2,978)
	<b>257,221</b>	42,023
Bills receivable	472,144	433,809
Less: allowance for doubtful debts	(6,300)	(6,300)
	<b>465,844</b>	427,509
Total trade and bills receivables, net of loss allowance	<b>723,065</b>	469,532

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

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Within 3 months	465,138	285,569
Over 3 months but within 6 months	257,356	183,223
Over 6 months but within 12 months	571	740
	<b>723,065</b>	469,532

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

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 10 Trade and bills payables

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Trade payables	2,738,441	3,227,044
Bills payable	697,069	544,708
Trade and bills payables	<b>3,435,510</b>	3,771,752

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:

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Within 3 months	2,978,399	3,135,842
Over 3 months but within 6 months	416,381	607,450
Over 6 months but within 12 months	28,020	13,719
Over 12 months	12,710	14,741
	<b>3,435,510</b>	3,771,752

### 11 Other payables and provision

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Payroll payables	240,948	143,958
Dividends payable	340,542	25,731
Payables for purchase of property, plant and equipment and land use rights	143,633	51,206
Other taxes payables	331,491	543,129
Others	296,223	317,232
Financial liabilities measured at amortized cost	<b>1,352,837</b>	1,081,256
Financial guarantee liabilities	28,219	327,895
Fair value of forward foreign exchange contracts	21,810	–
	<b>1,402,866</b>	1,409,151



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 12 Bank and other borrowings

The analysis of the carrying amount of bank and other borrowings is as follows:

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Bank loans, unsecured	210,778	216,365
Bank loan, guaranteed ( <i>note i</i> )	5,000	–
Bank loans, secured ( <i>note ii</i> )	1,481,806	1,528,103
Borrowings from Sinochem Holdings Corporation Ltd. ("Sinochem Holdings")	44,390	44,390
	<b>1,741,974</b>	<b>1,788,858</b>

Notes:

- (i) As at 30 June 2024, bank loans of RMB5,000,000 is guaranteed by Chongqing Fuling Development Group Co., Ltd.
- (ii) As at 30 June 2024, secured bank loans include syndicated loan amounting to RMB1,282,801,000, of which RMB244,787,000 undertaken by Sinochem Finance Co., Ltd. ("Sinochem Finance") and secured by the Group's right-of-use assets of RMB170,438,000, and bank loans amounting to RMB199,005,000 which are secured by the Group's property, plant and equipment of RMB15,284,000 (31 December 2023: right-of-use assets of RMB186,221,000 and property, plant and equipment of RMB15,614,000).

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

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Within 1 year	667,476	588,013
After 1 year but within 2 years	261,266	256,980
After 2 years but within 5 years	813,232	865,977
After 5 years	–	77,888
	<b>1,074,498</b>	<b>1,200,845</b>
Less: amounts due within 1 year shown under current liabilities	<b>1,741,974 (667,476)</b>	<b>1,788,858 (588,013)</b>
Amounts shown under non-current liabilities	<b>1,074,498</b>	<b>1,200,845</b>

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 12 Bank and other borrowings (continued)

The ranges of effective interest rates on the Group's borrowings are as follows:

	Effective annual interest rate	At 30 June 2024 RMB'000	Effective annual interest rate	At 31 December 2023 RMB'000
Variable-rate borrowings	3.00%	1,282,802	3.35%	1,345,900
Fixed-rate borrowing	1.35%–3.80%	459,172	1.35%–3.50%	442,958
		1,741,974		1,788,858

### 13 Dividends

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

The Board of Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (the corresponding period in 2023: Nil).

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year of HK\$0.0491 per share (the corresponding period in 2023: HK\$0.0623 per share).	314,791	403,403



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 Fair value measurement of financial instruments

#### (a) Financial assets and liabilities measured at fair value

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

- Level 1 valuations: Fair value measured using only Level 1 input, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 30 June 2024 RMB'000	Fair value measurements as at 30 June 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Unlisted equity securities	46,142	–	–	46,142
Bills receivable	43,968	–	–	43,968
Other payables – forward foreign exchange contracts	(21,810)	–	(21,810)	–
<b>Total</b>	<b>68,300</b>	<b>–</b>	<b>(21,810)</b>	<b>90,110</b>

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 Fair value measurement of financial instruments (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

	Fair value at	Fair value measurements as at		
	31 December 2023 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Unlisted equity securities	164,353	–	–	164,353
Bills receivable	69,122	–	–	69,122
Other financial assets – forward foreign exchange contracts	13,046	–	13,046	–
<b>Total</b>	<b>246,521</b>	<b>–</b>	<b>13,046</b>	<b>233,475</b>

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2023: Nil). The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### Information about Level 2 fair value measurements

- The fair value of forward foreign exchange contracts is determined with reference to the difference between the contractual forward price and the forward rate as of period end.

#### Information about Level 3 fair value measurement

	Valuation techniques	Significant unobservable inputs	Rate	Inter-relationship between significant unobservable inputs and fair value measurement
Unlisted equity securities	Market comparable companies	Discount for lack of marketability (DLOM)	33%	The higher the DLOM, the lower the fair value
Bills receivable	Discounted cash flow method	Discount rate	2%	The higher the discount rate, the lower the fair value





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 14 Fair value measurement of financial instruments (continued)

#### (a) Financial assets and liabilities measured at fair value (continued)

##### Information about Level 3 fair value measurement (continued)

- The valuation model of the fair value of unlisted equity securities is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities and price to book value of the investee.
- The fair value of bills receivable is measured using discounted cash flow method.

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Unlisted equity securities:		
At 1 January	164,353	189,004
Changes in fair value during the period	(118,211)	(21,470)
At 30 June	46,142	167,534
Bills receivable		
At 1 January	69,122	62,310
Net (decrease)/increase	(25,154)	7,102
At 30 June	43,968	69,412

#### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at 31 December 2023 and 30 June 2024.

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 15 Capital commitment

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Contracted but not provided for – Property, plant and equipment	41,506	59,075

### 16 Related party transactions

The related parties that had material transactions with the Group during the periods ended 30 June 2024 and 2023 were as follows:

#### Ultimate holding company

Sinochem Holdings  
(中國中化控股有限責任公司)

#### Indirect holding company

Syngenta Group  
(先正達集團股份有限公司)

#### Fellow subsidiaries

Sinochem (United Kingdom) Limited  
(中化(英國)有限公司)

Beijing Chemsunny Property Co., Ltd.  
(北京凱晨置業有限公司)

Sinochem Finance  
(中化集團財務有限責任公司)

Sinochem Agriculture Co., Ltd.  
(中化現代農業有限公司)

China National Seed Group Co., Ltd.  
(中國種子集團有限公司)



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### Fellow subsidiaries (continued)

Adama (Beijing) Agricultural Technology Co., Ltd.  
(安道麥(北京)農業技術有限公司)

Syngenta (China) Investment Co., Ltd.  
(先正達(中國)投資有限公司)

Sinochem Hong Kong (Group) Co., Ltd.  
(中化香港(集團)有限公司)

Adama Co., Ltd.  
(安道麥股份有限公司)

Adama Huifeng (Jiangsu) Co., Ltd.  
(安道麥輝豐(江蘇)有限公司)

Adama Huifeng (Shanghai) Agricultural Technology Co., Ltd.  
(安道麥輝豐(上海)農業技術有限公司)

Sinochem Crop Protection Products Co., Ltd.  
(中化作物保護品有限公司)

Winall Hi-tech Seed Co., Ltd.  
(安徽荃銀高科種業股份有限公司)

Hunan Dongting Hi-Tech Seed Industry Co., Ltd.  
(湖南洞庭高科種業股份有限公司)

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

Sinochem Group Co., Ltd. (“Sinochem Group”)  
(中國中化集團有限公司)

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### Fellow subsidiaries (continued)

Beijing Junmao Real Estate Co., Ltd.  
(北京俊茂置業有限公司)

Ningxia Ruitai Technology Co., Ltd.  
(寧夏瑞泰科技股份有限公司)

Shenyang Research Institute of Chemical Industry Co., Ltd.  
(瀋陽化工研究院有限公司)

Zhangye Sanbei Seeds Co., Ltd.  
(張掖市三北種業有限公司)

Sinochem Jinmao Property Management (Beijing) Co., Ltd.  
(中化金茂物業管理(北京)有限公司)

Sinochem Environmental Technology Engineering Co., Ltd.  
(中化環境科技工程有限公司)

Sinochem Information Technology Co., Ltd.  
(中化信息技術有限公司)

#### Associates

Yangmei Pingyuan Chemical Co., Ltd. (“Yangmei Pingyuan”)  
(陽煤平原化工有限公司)

Beijing Aerospace Hengfeng Technology Co., Ltd.  
(北京航天恒豐科技股份有限公司)

Yitong Digital Technology, also a fellow subsidiary of the Company  
(益通數科科技股份有限公司)



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### Joint ventures

Yunnan Three Circles-Sinochem Fertilizers Co., Ltd.  
(雲南三環中化化肥有限公司)

Gansu Wengfu Chemical Co., Ltd.  
(甘肅甕福化工有限責任公司)

#### Other related party – an investee of a fellow subsidiary with a director in common

Qinghai Salt Lake Industry Co., Ltd.  
(青海鹽湖工業股份有限公司)

#### Associates of indirect holding companies

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

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

Junhua Ecological Engineering Co., Ltd.  
(駿化生態工程有限公司)

#### A subsidiary of a shareholder with significant influence over the Company

Canpotex International Pte. Limited

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the interim financial report, the Group entered into the following material transactions with related parties during the period:

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Sales of fertilizers to</b>		
Fellow subsidiaries	711,649	637,610
Joint ventures	30,255	59,519
An associate	41,390	–
Associates of indirect holding companies	43,326	38,944
	<b>826,620</b>	<b>736,073</b>
<b>Purchases of fertilizers from</b>		
Fellow subsidiaries	184,832	350,837
Associates of indirect holding companies	2,468	12,848
Joint ventures	1,038,437	1,145,846
Associates	87,829	9,249
A subsidiary of a shareholder with significant influence over the Company	162,039	–
Other related party	412,107	491,171
	<b>1,887,712</b>	<b>2,009,951</b>
<b>Service fee paid to fellow subsidiaries</b>	10,892	6,651
<b>Office rental fee paid to fellow subsidiaries</b>	6,493	4,689
<b>Commission received from a fellow subsidiary</b>	360	3,956



## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (a) Transactions with related parties (continued)

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
<b>Loans from related parties</b>		
Ultimate holding company	–	44,390
A fellow subsidiary	–	267,710
	–	312,100
<b>Repayments of loans from a fellow subsidiary</b>	11,462	–
<b>Interest expenses to related parties</b>		
Ultimate holding company	305	133
A fellow subsidiary	4,147	1,206
	4,452	1,339
<b>Financial guarantee issued to an associate</b>	–	478,696
<b>Income of selling nitrogen fertilizer business to an associate</b>	41,521	–
<b>Loan to an associate</b>	167,667	–
<b>Loans to a fellow subsidiary</b>	800,000	800,000
<b>Repayments of loans to a fellow subsidiary</b>	1,300,000	–
<b>Interest income from a fellow subsidiary</b>	7,274	520
<b>Guarantee charges from an associate</b>	–	3,164
<b>Interest income of deposits from a fellow subsidiary</b>	20,023	5,379

## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (a) Transactions with related parties (continued)

Pursuant to an agreement with Sinochem Group, the Group purchases/sells certain agricultural products through Sinochem Group. The gross purchase and gross sale amount under this arrangement amounted to RMB2,338,528,000 and RMB2,307,692,000, respectively (2023: RMB1,857,590,000 and RMB1,882,559,000, respectively). Sinochem Group is acting as an agent of the Group. No agency fee was charged by Sinochem Group.

#### (b) Balances with related parties

As at the end of the reporting period, the Group had the following material balances with its related parties:

	<b>At 30 June 2024 RMB'000</b>	At 31 December 2023 RMB'000
Trade receivables	69,713	1,024
Other receivables and prepayments	232,923	413,349
Trade and bills payables	639,243	470,810
Other payables	170,554	4,012
Contract liabilities	20,137	76,949
Outstanding financial guarantee issued to an associate	28,219	327,895
Loan to an associate ( <i>Note</i> )	167,667	–
Loans to a fellow subsidiary	300,000	800,000
Loans from the ultimate holding company	44,390	44,390
Loans from a fellow subsidiary	244,787	256,248
Cash and cash equivalents	732,890	1,915,921
Time deposit in a fellow subsidiary	1,656,100	–

*Note:*

On 30 January 2024, Sinochem Fertilizer entered into a loan agreement with Yangmei Pingyuan, pursuant to which, Sinochem Fertilizer lent a loan of RMB 167,667,000 to Yangmei Pingyuan, with a rate of one-year Loan Prime Rate per annum and maturity of 2 years.





## Notes to Condensed Consolidated Financial Statements (continued)

(Expressed in RMB unless otherwise indicated)

### 16 Related party transactions (continued)

#### (c) Transactions with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by Chinese government (“government-related entities”). In addition, the Group itself is part of a larger group of companies under Sinochem Holdings which are controlled by Chinese government. Apart from the transactions with Sinochem Holdings and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group’s business transactions with them are concerned.

During the reporting period, the Group had the following significant transactions with other state-controlled entities:

	Six months ended 30 June	
	2024 RMB’000	2023 RMB’000
Sales of fertilizers	747,305	1,129,096
Purchases of fertilizers	597,320	661,595

#### (d) Compensation of key management personnel

	Six months ended 30 June	
	2024 RMB’000	2023 RMB’000
Salaries and other benefits	1,936	2,371
Retirement benefit scheme contributions	111	48
Fees	779	757
	2,826	3,176

# Additional Information

## INTERIM DIVIDEND

The Board of Directors of the Company did not recommend the declaration of interim dividend for the six months ended 30 June 2024.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The interests of the Directors and chief executives in the Shares, share options, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules, were disclosed below.

As at 30 June 2024, the following Director of the Company had long position in the ordinary Shares of HK\$0.1 each of the Company:

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of issued Shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Lu Xin	Beneficial owner	2,900,000	0.041%

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, share options, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than disclosed above, at no time during the period and as at 30 June 2024, was the Company or any of its subsidiaries or holding companies or the subsidiaries of the holding companies a party to any arrangement the object of which is to enable the Directors or chief executives of the Company or any of their spouses or children under the eighteen years of age to acquire benefits by means of the acquisition of Shares in, or debt securities of, the Company or any other body corporate.



## Additional Information (continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, other than the Directors or chief executives of the Company, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, the following shareholders had notified the Company of the relevant interests in the issued Shares of the Company:

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

*Notes:*

- Syngenta HK is a wholly-owned subsidiary of Syngenta Group Co., Ltd. (先正達集團股份有限公司), which is in turn wholly owned by China National Agrochemical Co., Ltd. (中國化工農化有限公司) (“CNAC”). CNAC is a wholly-owned subsidiary of China National Chemical Corporation Limited (中國化工集團有限公司), which in turn is a wholly-owned subsidiary of Sinochem Holdings Corporation Ltd. Accordingly, Sinochem Holdings, ChemChina, CNAC and Syngenta Group are deemed to be interested in 3,698,660,874 ordinary Shares of the Company, being corporate interest beneficially held by Syngenta HK.
- Syngenta HK is beneficially interested in 3,698,660,874 ordinary Shares of the Company.
- PCS is a wholly-owned subsidiary of PCS (Barbados) Enterprise SRL, which is in turn wholly owned by Potash Corporation. Potash Corporation is wholly owned by PCS AcquisitionCo ULC, which is in turn wholly owned by Nutrien Ltd. Accordingly, Nutrien Ltd., PCS AcquisitionCo ULC, Potash Corporation and PCS (Barbados) Enterprise SRL are deemed to be interested in 1,563,312,141 ordinary Shares of the Company, being corporate interest beneficially held by PCS.
- PCS is beneficially interested in 1,563,312,141 ordinary Shares of the Company.

Save as disclosed above, other than the Directors or chief executives of the Company, the Company has not been notified of any other relevant interests or short positions held by any other person in the issued Shares of the Company as at 30 June 2024, which were required to be recorded in the register maintained by the Company under section 336 of the SFO.

## Additional Information (continued)

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares) during the six months ended 30 June 2024.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. The Company has made specific enquiries with all Directors of the Company, and all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2024.

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

### **CORPORATE GOVERNANCE STANDARDS**

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Company and the 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 has complied with the applicable corporate governance standards contained in relevant code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules during the six months ended 30 June 2024 and up to the date of this report, 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 period and up to the date of this report, the Board approved certain continuing connected transactions by circulation of written resolutions in lieu of physical board meeting, for which the substantial shareholders of the Company were regarded as having material interests therein. As the Directors of the Company have different business travelling plans, the adoption of written resolutions in lieu of physical board meeting allowed the Board to make a decision relatively quicker in response to the rapid change in the fertilizer markets. Before formal execution of the written resolutions, the Directors (including the independent non-executive Directors) had discussed the matters via emails and made amendments to the terms of the transactions as appropriate.



## Additional Information (continued)

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 7 June 2024 (the “2024 AGM”), Mr. Su Fu, Chairman of the Board, did not attend and chair the meeting due to other essential business engagements. In accordance with the bye-laws of the Company, Mr. Ko Ming Tung, Edward, an independent non-executive Director of the Company, was elected by the Directors attending the meeting to chair the 2024 AGM. Respective chairmen and/or members of the audit, remuneration, nomination, corporate governance and strategy committees of the Company were present at the 2024 AGM and were available to answer relevant questions, which was in compliance with other requirements under 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 of the Company.

### AUDIT COMMITTEE

The Audit Committee of the Company has reviewed, with the management and the external auditors, the condensed consolidated financial statements of the Company for the six months ended 30 June 2024, including the review of the accounting principles and practices adopted by the Group. The Audit Committee has also discussed with the management about auditing, risk management, internal controls, and financial reporting matters of the Group.

### DISCLOSURE OF INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Listing Rules, the changes/updates of information of Director(s) during the six months ended 30 June 2024 and up to the date of this report are as follows:

1. On 24 January 2024, Mr. Liu Hongsheng resigned as a non-executive Director and the Chairman of the Board of the Company. On the same date, Mr. Su Fu was appointed as a non-executive Director and the Chairman of the Board of the Company. Subsequently, Mr. Su Fu was appointed as the director and chairman of Jiangsu Yangnong Chemical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600486) on 21 February 2024, and was appointed as the executive director of Syngenta Group Modern Agricultural Technology Co., Ltd., an indirect wholly-owned subsidiary of Sinochem Holdings (the ultimate controlling shareholder of the Company), in March 2024.
2. Mr. Tse Hau Yin, Aloysius retired as an independent non-executive Director of the Company at the conclusion of the annual general meeting of the Company held on 7 June 2024. On the same date, Mr. Sun Po Yuen was appointed as an independent non-executive Director of the Company.

## Additional Information (continued)

3. On 11 June 2024, Mr. Wang Jun resigned as an executive Director of the Company. On the same date, Mr. Wang Tielin and Ms. Chen Shengnan were appointed as the executive Directors of the Company. Subsequently, Mr. Wang Tielin was appointed as the director of Sinochem Agricultural Ecological (Hainan) Co., Ltd., an indirect wholly-owned subsidiary of the Company, and the director and general manager of Sinochem (United Kingdom) Limited, an indirect wholly-owned subsidiary of Sinochem Holdings (the ultimate controlling shareholder of the Company), in July 2024.
4. Mr. Ko Ming Tung, Edward, an independent non-executive Director of the Company, was appointed as an independent non-executive director of China Vered Financial Holding Corporation Limited, a company listed on the main board of the Stock Exchange, on 22 March 2024.
5. Ms. Wang Ling, an executive Director of the Company, was appointed as the vice chairman of the supervisory board of Qinghai Salt Lake Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange under stock code 000792), in May 2024.
6. Mr. Sun Po Yuen, an independent non-executive Director of the Company, was appointed as an independent non-executive director of Jolimark Holdings Limited, a company listed on the main board of the Stock Exchange, on 27 May 2024.

### BOARD OF DIRECTORS

As at the date of this report, the non-executive Director of the Company is Mr. Su Fu (Chairman); the executive Directors of the Company are Mr. Wang Tielin (Chief Executive Officer), Ms. Chen Shengnan and Ms. Wang Ling; and the independent non-executive Directors of the Company are Mr. Ko Ming Tung, Edward, Mr. Lu Xin and Mr. Sun Po Yuen.

Hong Kong, 26 August 2024