SINOFERT HOLDINGS LIMITED
中化化肥控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- The Group's turnover for the year was RMB22,951 million (2018: RMB22,996 million), relatively steady year on year
- Profit for the year attributable to owners of the Company was RMB616 million (2018: RMB460 million), increased by 33.91% year on year
- Basic earnings per share for the year was RMB0.0877 (2018: RMB0.0656), increased by 33.69% year on year
- The Board recommended the payment of a final dividend of HK$0.0294 per share (equivalent to approximately RMB0.0263 per share) (2018: HK$0.0224, equivalent to approximately RMB0.0196) to the shareholders

CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the Board of Directors (the "Board"), I hereby report to all shareholders the annual results of Sinofert Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

In 2019, affected by agricultural supply-side reform, intensified regulatory requirements for safety and environment protection as well as the China-US trade friction, China's fertilizer industry was in urgent need of transformation and upgrading, and market competition became increasingly fierce. Facing severe market challenges, the Group was steadfast in carrying out its strategies set forth at the beginning of the year by actively adopting effective measures and grasping market opportunities, and achieved satisfactory results. In 2019, the Group achieved a total sales volume of 11.51 million tons. Sales revenue amounted to RMB23 billion, which was relatively steady compared with the corresponding period in 2018. Profit attributable to owners of the Company was RMB616 million, up by 34% year on year, representing a significant improvement in profitability. Major performance index of the Group remained in good standing, and the Group's credit rating by Fitch Ratings, an international rating agency, was maintained at A-.

Under the guidance of the goal of "strengthening strategic procurement and promoting deep cultivation of industrial customers", the Basic Fertilizers Division steadily increased its strategic procurement volume, maintaining a stable proportion of strategic procurement, and significantly increased its proportion of sales volume to industrial customers. The Fertex e-commerce platform commenced operation, and began to transform its business model from purchase and sale to the provider of platform service. In 2019, sales volume of the Basic Fertilizers Division was 8.94 million tons, relatively steady year on year; profit before taxation amounted to RMB494 million, representing a year-on-year increase of 6%. The Distribution Division continued to make all efforts to accelerate application of advanced technologies, focused on differentiated products and adjusted the product structure, resulting in significant growth in both sales volume and the proportion of differentiated products. The Distribution Division continued to implement the DTS channel building strategy, improved its service capabilities and brand image, expanded its service coverage, and significantly increased the number of strategic stores, channel service centers, and large-scale growers. The layout of production capacity was further improved. The first phase of the new fertilizer project with an annual production capacity of 500,000 tons of Sinochem Orient Fertilizer Co., Ltd. was completed by 90%, and the scheduled output in its trial production reached a completion rate of 100%. The water-soluble fertilizer plant with an annual production capacity of 100,000 tons of Sinochem Agriculture (Xinjiang) Biotech Co., Ltd., located in Aksu of Xinjiang, was successfully put into operation during the year, reaching a production volume of 18,200 tons of water-soluble fertilizer products. In 2019, sales volume of the Distribution Division was 2.34 million tons, up by 5% year on year; profit before taxation amounted to RMB108 million, up by 57% year on year, representing a significant improvement in profitability. Production subsidiaries continued to strengthen HSE management, resulting in safe, continuous and stable operation. Sinochem Jilin Changshan Chemical Co., Ltd. and Sinochem Yunlong Co., Ltd. achieved steady increases in output and sales volume, with a significant effect of energy reduction and efficiency improvement. The old factory of Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling") was steadily closed at the end of October 2019, and relocation for the sake of environmental protection was in steady progress. In 2019, profit before taxation of the production subsidiaries amounted to RMB265 million, representing a significant increase in profit contribution. The crop nutrition R&D team steadily expanded, while the R&D investment was steadily increased, and as a result, the capability of commercialization of research results was significantly improved, and technology reserves continued to be strengthened. The internationally advanced state-of-the-art Linyi R&D Center was put into operation in May 2019. The Group continued to deepen cooperation with external research institutes and enterprises, and achieved remarkable results in research and development. The newly developed compound fertilizers and differentiated basic fertilizer products demonstrated better market competitiveness. In 2019, the sales volume under commercialization of technological achievements reached 535,000 tons, representing a year-on-year increase of 106%.

Despite the challenges of a changing market, the Board of Directors of the Company has always adhered to the goal of maximizing shareholder value, continuously improving corporate governance and optimizing the management system. In accordance with the Corporate Governance Code of the Stock Exchange of Hong Kong Limited, the Company's Board of Directors held four regular meetings in 2019 at which the Company's annual report, interim report, strategic planning and major investment projects were reviewed and approved. Meanwhile, the Board also reviewed and approved other issues such as major investment projects and connected transactions through other means. The Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee of the Board had all fulfilled their respective duties and rights as entrusted by the Board on such issues as improving internal control, optimizing the remuneration and motivation systems and perfecting the corporate governance structure.

In 2020, China's fertilizer industry still faces the severe situation of excess capacity and oversupply. Industry consolidation and reshuffling will be intensified, with various fertilizer enterprises facing the question of "to be or not to be". Meanwhile, the Chinese government continues to attach great emphasis on agricultural modernization, as expressed in the latest Circular No.1 entitled "Opinion on Doing a Better Job in the Key Work Concerning Agriculture, Rural Areas and Farmers to Achieve Moderate Prosperity in All Respects on Schedule", which was officially announced on 5 February 2020, being the 17th of such documents since the beginning of the new century. This will create important opportunities for the Group's innovative operations and business transformation.

In 2020, the Group will continue to focus on business transformation and upgrading, follow the trend of agricultural supply-side reform and the rapidly changing fertilizer industry, take root in modern agriculture, streamline the operational structure and renovate our business model so as to achieve stable and sustainable growth. The Basic Fertilizers Division will continue to strengthen strategic procurement and marketing systems for agricultural and industrial customers, expand its business scale, and promote transformation of business model from marketing to platform service based on the Fertex e-commerce platform. The Distribution Division will focus on differentiated products, promote crop-oriented upgrades of products, improve the level of digitalization, and further implement the regionalization, horizontal expansion and professionalization of channels. Production subsidiaries will accelerate transformation and upgrading, and promote the "move for better and stronger" relocating work of Sinochem Fuling. The Group will continue to improve product R&D and commercialization capabilities, and push forward the construction of a highly efficient R&D and innovation platform for fertilizers with the Linyi R&D Centre at its core. According to the Company's announcement "Change of Shareholding in the Company" published on 5 January 2020, Syngenta Group Co., Ltd. ("Syngenta Group") or one or more of its affiliate(s) will become the controlling shareholder of the Company. The Group will achieve faster transformation and development under the framework of Syngenta Group. In addition, the Group will consolidate its leading advantage in domestic sales scale, strengthen its position in the supply chain, promote the strategy of differentiated products, and further improve its profitability.

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

Yang Lin
Non-executive Director

Hong Kong, 26 March 2020

MANAGEMENT REVIEW AND PROSPECT

BUSINESS ENVIRONMENT

In 2019, the global economic situation reversed from "synchronous recovery" of the previous year to "synchronous deceleration". With the escalation of economic and trade frictions, protectionism was intensifying. Domestically, the Chinese government stepped up counter-cyclical adjustments and actively implemented the stability policy in six aspects. As a result, the overall national economy was maintained within a reasonable range.

In 2019, China continued to deepen the supply-side structural reform in agriculture, adhered to the general policy of giving priority to agriculture and rural development, adjusted and optimized the agricultural structure, accelerated the phase-out of backward production capacity, and further increased industrial concentration. At the same time, China vigorously developed the scarce and high-quality green agricultural products, and promoted the shift from quantity increase to quality improvement in agriculture. The year of 2019 was the decisive period for building a moderately prosperous society in all respects. Winning the battle against poverty would be the top priority for building a moderately prosperous society in all respects. In the past two years, the rural revitalization has been fully launched; the planning system and policy system have been continuously improved; the economic, political, cultural, social, ecological conditions and Party building work in rural areas has been promoted in a coordinated manner.

In 2019, China abolished export tariffs on fertilizers and reduced import value-added tax. With the increasing activity of import and export of fertilizer, the domestic and overseas markets had been more closely linked. The government vigorously promoted supply-side reform as well as fertilizer application reduction and efficiency improvement, and accelerated the adjustment of agricultural planting structure. The planting area of major crops decreased, resulting in oversupply in the fertilizer industry. The market price of major fertilizers continued to decline, posing severe challenges to the operation of the fertilizer industry. In addition, the supervision on safety and environmental protection continued to be strengthened. The explosion accident of a chemical plant triggered a nationwide storm of chemical safety and environmental protection, which would help expedite the elimination of companies with backward production capacity, increase industry concentration, and solve problems such as excess capacity, disorderly market competition and environmental pollution. Domestic enterprises were accelerating transformation and upgrading, reducing quantity and enhancing quality, expanding their presence in upstream and downstream industrial chains, and providing farmers with new comprehensive agricultural services to achieve sustainable agricultural development and green development of the fertilizer industry.

In order to ensure its leading position in the industry, the Group, under the leadership of the Board of Directors, seized the opportunity of the agricultural supply-side reform and the fast-changing trend of agricultural structure by centering on the Rural Revitalization Strategy, continued to deepen strategic transformation and organizational reform, took root in modern agriculture, optimized its business structure, innovated its business model, and was committed to becoming China's leading technology-based marketing and service provider of crop nutrition.

Financial Highlights

For the year ended 31 December 2019, the Group's revenue reached RMB22,951 million, relatively steady year on year. Profit attributable to owners of the Company was RMB616 million, up by 33.91% year on year, which represented a significant improvement in business performance.

Research and Development

The Group's internationally advanced state-of-the-art Linyi R&D Center was put into operation in May 2019. Based on the new hardware facilities, the level and the efficiency of research and development were significantly improved. New products applying new technologies of crop nutrition reached 535,000 tons in 2019, up by 106% year on year. The Group focused on advancing core masterbatch, microbial inoculant and other projects, and developed core masterbatch products that would be effective in supplementing trace elements, fostering crop growth and improving nutrient use, as well as a series of ecological fertilizer products that could improve the quality of soil and crops. At the same time, the Group focused on solving the problems of easy fixation, difficult absorption and low utilization rate of phosphorus, analyzing the phosphorus absorption mechanism of plant roots, and introduced "Meilinmei", an efficient phosphorus product and carried out demonstration and promotion in Heilongjiang, Jiangsu, Anhui, Hubei and other places, which significantly increased the utilization rate of fertilizers and improved farmers' production and income. In future, the Group will continue to center on the goal of soil improvement and quality upgrades and realize the vision that science and technology create better agriculture by continuously enhancing technological innovation capability.

Manufacturing

In 2019, the Group's subsidiaries continued to strengthen the fundamental work in production operation and to promote special tasks such as intrinsic safety, technological transformation, production process optimization, scientific innovation and automation building, and further explored the potential of existing facilities, carried out cost reduction and efficiency improvement, and enhanced their production and operation efficiency as well as market competitiveness.

Sinochem Chongqing Fuling Chemicals Co., Ltd. ("Sinochem Fuling"), a subsidiary of the Group, produced 723,700 tons of major products such as phosphate and compound fertilizers in 2019. Through in-depth cooperation with the Basic Fertilizers Division in off-take, it carried out technological innovation to achieve cost reduction and efficiency improvement, and enhanced the market competitiveness of products. Sinochem Fuling put health, safety and environment as well as stability of employees in the first place while steadily advancing the overall relocating work. All facilities in the old factory were shut down safely and smoothly at the end of October 2019. At the end of the year, the construction of the first phase of the project with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type specialized fertilizers commenced at the new site. The planned annual comprehensive production capacity of the project was 200,000 tons of high-quality fine phosphate, 700,000 tons of new-type specialized fertilizers and 900,000 tons of ardealite. It would adopt the most advanced and mature technology of semihydrate-dihydrate method to produce high-end fine phosphate and high-end specialized fertilizers, which was expected to put into operation in 2022.

Focusing on the strategy of safe, efficient and stable development, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, continuously strengthened basic management, continued to reduce costs, and optimized the production processes. Due to the development of the synthetic ammonia market, all the finished products could be sold out and the gross profit improved significantly compared with the same period in 2018 and Sinochem Changshan returned to profitability. Sinochem Changshan implemented first-line production management and conducted special equipment protection for each workshop, so that no overhaul was required throughout the year. The core device, pulverized coal pressurized gasification furnace, kept on operating steadily for more than 180 days. Various technical indicators and consumption indicators continued to improve and reached international advanced operating standards as a whole.

Sinochem Yunlong Co., Ltd., a subsidiary of the Group, focused on the brand goal of "a global production expert of high phosphorous MCP/DCP", put much attention on environmental protection and sustainable development, strengthened production management, strictly controlled product quality, continued to promote differentiated product strategies and expanded into new markets such as South Asia and Africa, and sales volume of MCP/DCP reached 329,200 tons in 2019. In respect of mine construction, the construction of the sinking and driving engineering of capacity continuing project of 600,000 tons per annum in Mozushao was completed, with a significant improvement in mechanization and automation level. By the implementation of ecological environmental protection and restoration, Sinochem Yunlong constructed a preliminary green phosphorus mine, which ensured the sustainable use of resources, and continuously expanded the advantages in phosphate resources.

Basic Fertilizers Operations

The Group continued to implement various strategies, strengthened strategic procurement, built up maintenance system with strategic suppliers, increased the proportion of procurement from strategic suppliers and obtained stable supply of high-quality products. The Group focused on in-depth channel building, and improved marketing service capability. Meanwhile, the Group planned and promoted basic fertilizer products for agriculture to enhance the brand influence and to maintain a leading position in the market. In the context of upgrading of the agricultural inputs industry channels, the Group actively developed Fertex, its e-commerce platform, and gradually transformed its business model from purchase and sale to the provider of platform service by integrating internet and big data with the traditional industries.

Potash Operations: In 2019, sales volume of potash fertilizer was 1.84 million tons, down by 24% over the corresponding period in 2018. Since the domestic supply of potash fertilizer was sufficient, downstream customers determined the procurement volume according to their demand and reduced their inventory scale, resulting in a decrease in the Group's sales volume. The Group strengthened the communication and cooperation with core suppliers, renewed strategic cooperation agreement, and obtained high-quality products. The Group further consolidated its communication and cooperation with Qinghai Salt Lake Industry Co., Ltd., smoothed the linkage between the procurement and sales, and enhanced the influence of domestic potash in regions where the Group was the exclusive agency; improved the core customer system for industrial potash, enhanced marketing service capability and catered to customer needs; improved scientific decision-making mechanism, and formulated differentiated sales strategies; deepened the marketing channel of potash for agriculture, consolidated the core channel system, accelerated to build its proprietary brand, enriched product categories, optimized sources of supply and logistics arrangement, and stabilized the profit of potash for agriculture.

Nitrogen Operations: In 2019, sales volume of nitrogen fertilizer was 3.46 million tons, up by 8% over the corresponding period in 2018. The Group continued to promote the strategy for centralized procurement of nitrogen fertilizer, and eliminated and supplemented certain suppliers in the strategic supplier system to ensure the acquisition of low-cost resources and stable supply capacity. In terms of customer service, the Group adhered to the direct sales strategy of industrial customers, gradually enhanced the closeness of cooperation with core industrial customers, and used the Fertex platform to provide customers with efficient and convenient information services and logistics services, and continuously explored financial services based on supply chain to achieve empowerment for the industrial chain. In terms of new product research and development, the Group focused on high-growth, high-utilization, energy-saving and environmentally-friendly products suitable for China's agricultural planting needs, and conducted effective channel management to enhance customer value.

Phosphate Operations: Sales volume of phosphate fertilizer amounted to 2.32 million tons in 2019, representing a year-on-year increase of 7%. Through scale operation, the Group made significant breakthrough in strategic procurement of phosphate fertilizer and ensured steady supply of high-quality phosphate fertilizer. The Group also provided comprehensive solutions centering on the demand of upstream and downstream customers to achieve stable profit and customer value enhancement through customer base consolidation, value reallocation and precise match of procurement and sales. In addition, the Group introduced "Meilinmei", a new phosphate fertilizer, in response to the government's call for "fertilizer application reduction and efficiency improvement", which was granted the honor of "China's Excellent Fertilizer Brand for Efficiency Improvement". It was widely sold in the domestic market and would lead to healthy development of phosphate fertilizer for efficiency improvement in China.

Distribution Operations

The Group accelerated the development of diversified channels, established strategic partnership with large central state-owned enterprises such as COFCO Corporation and PetroChina Kunlun Hospitality Co., Ltd., increased the sales outlets in its terminal network, and enhanced the marketing and service capability for strategic customers. The Group focused on the enhancement of product technology content and structural optimization, and on crop-oriented product system construction. Sales volume of a number of specialize products, introduced in response to the planting needs of key crops such as corn and rice, significantly increased. In addition, the Group introduced the product package consisting of seeds, fertilizers and pesticides as well as comprehensive technical solutions for planting, expanded the sales of functional products and new types of fertilizers, and continuously strengthened the market competitive advantage.

Compound Fertilizer Operations: Sales volume of compound fertilizers amounted to 2.29 million tons in 2019, representing a year-on-year decrease of 5%. Of which, sales volume of differentiated compound fertilizers reached 0.54 million tons, up by 38% year on year. The Group adhered to the national policy of scientific fertilization and conducted research on the application of slow-release and efficiency-enhancing technologies, soil improvement and other technologies. By closely linking R&D and production, the Group improved the inherent quality of the product through technological transformation and formulation upgrade and introduced various crop-oriented products with high technological content. The Group adhered to the marketing model of technical services, and continuously improved product competitiveness and influence through field trials, fertilization guidance, process tracking, marketing planning and other methods. The Group continuously optimized the layout of compound fertilizer production capacity, and the first phase of the new fertilizer project with an annual production capacity of 500,000 tons located in Jiangling County, Hubei Province, was put into trial operation in August 2019. This project had advantages in cost and logistics and would serve as the Group's main production platform for ecological products. It integrated a series of advanced technologies such as microorganism, utilization of organic waste as resource, high concentration of organic and inorganic compound as well as efficiency improvement of crop nutrition, focused on the production of differentiated products such as organic, inorganic and bacterial fertilizers, and provided a solid guarantee for the rapid growth of the compound fertilizer business.

By developing an improvement plan for the DTS channels, the Group promoted the building of Sinofert flapship stores, and accelerated customer development at the township level, and thus the channel quality and network scale became more competitive. The Group also promoted the pilot work of the intelligent distribution outlets, adopted online and offline marketing methods and effectively empowered precision marketing based on the needs of crops and customers, which improved the operation efficiency of the outlets and increased customer loyalty, and further improved the corporate image and brand influence.

The Group continuously implemented the guidelines from the 19th National Congress of the Communist Party of China as well as the Rural Revitalization Strategy, accelerated the exploration and accumulation of scientific fertilization technology, focused on studying functional products that could improve soil conditions, established technological service stations in villages, and performed its role as a central state-owned enterprise so as to contribute to the sound and sustainable development of modern agriculture in China. In order to implement the program of zero-growth in fertilizer consumption, the Group continued to focus on technology of deep side fertilization, improved fertilizer utilization efficiency, and focused on accumulating crop-oriented nutrition solutions. The Group accelerated the implementation of fertigation and intelligent fertilizer mixing projects, built 350 intelligent fertilizer mixing stations in 2019 and continuously promoted the methodology combining agricultural technology and agronomy to gain an edge in technology-based marketing and service model.

Internal Control and Management

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

In 2019, in the context of increasing downward pressure on the domestic economy, the China-US trade friction and increased uncertainties arising from geopolitics, along with the strategy and business advancement, the Group continued to strengthen internal control and management, promote its risk management culture, implement hierarchical management, reinforce entity responsibility among all levels, timely give warnings of credit risk and market risk, and actively create a management and control situation of "stable operation and healthy development". The business units provided risk control training to all the personnel, identified risks of new business model, streamlined and improved its management system, optimized business processes, and ensured that the business operations were carried out in a standard and orderly manner. The Group revised performance assessment indicators for management, and guided the business units to enhance their entity awareness of internal control and risk responsibility. Both the Headquarter and the business units continued to strengthen daily inspection, conducted rectification and improvement, further consolidated the fundamental work of internal control, and met the compliance requirements from domestic and overseas regulatory organizations. The above efforts provided a reasonable guarantee for the Group to cope with the changing business environment, serve its strategic transformation and ensure the shareholders' interests, asset safety, business performance improvement and strategic implementation.

Corporate Social Responsibility

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

Sinochem Fertilizer Co., Ltd., a subsidiary of the Group, deepened its cooperation with the Department of Crop Production, Ministry of Agriculture and the National Agricultural Technology Extension and Service Center in 2019, focusing on the promotion of projects of fertilizer application reduction and efficiency improvement as well as the use of bio-organic fertilizers in the production of fruits, vegetables and tea instead of chemical fertilizers. During the year, the Group focused on free soil testing service, field guidance, seminars for farmers, and anti-counterfeiting and together with the National Agricultural Technology Extension and Service Center, built pilot demonstration fields and launched training programs for new type of occupational farmers. By the end of 2019, more than 40,000 activities were carried out, including over 9,000 soil testing and formula fertilizer activities, over 2,000 demonstration seminars, over 4,000 anti-counterfeiting activities, which benefited more than 10,000 villages and towns. The company provided customized services for large-scale farms, planting cooperatives and large-scale growers, and its fertilizers covered an area of 3 million mu. Among them, the application of deep side fertilization technology for rice was promoted to increase fertilizer utilization efficiency and save labor costs, and applied in an area of over 1.7 million mu.

In 2019, the Group actively fulfilled its corporate social responsibility, focused on establishing and developing the self-development capability of the poverty-stricken population, and combined poverty alleviation with morale boost and wisdom improvement. It also carried out relevant cultural activities to promote the Rural Revitalization Strategy, deeply participated in the construction of rural civilization, and contributed to the realization of the goal of strong agriculture, beautiful countryside and prosperous farmers. The Group carried out caring activities in Xundian County of Yunnan Province, Bayan County of Heilongjiang Province, Gulang County of Gansu Province, Luntai County of Xinjiang and Lujiang County of Anhui Province, and donated stationeries and student grants equivalent to RMB337,200. In addition, the Group supported the targeted poverty alleviation county, Alu Kerqin Banner of Inner Mongolia, with the amount of poverty alleviation in the form of consumption reaching RMB275,700, and it donated fertilizer worth RMB566,400.

In future, the Group will continue to focus on the requirement of modern agricultural development and strive to serve farmers, center on the goal of soil improvement and quality upgrades, and deepen the cooperation with the scientific institutions, colleges and universities, so as to realize the vision that science and technology create better agriculture through continuously enhancing technological innovation capability.

The Group followed the environmental protection concept of "protecting and improving the production and operation environment and natural resources, preventing environmental pollution and ecological damage and promoting the sustainable development of the Group", and strictly implemented environmental protection management measures, adhered to the basic national policy of protecting the environment, insisted on a people-oriented policy of environmental priority, prevention in advance and comprehensive management, actively implemented clean production, prevented the occurrence of new sources of pollution, continuously reduced waste emission through adopting advanced processes, technologies and equipment, and established a long-term environmental protection mechanism, so as to create harmony between energy utilization and the environment. In 2019, the Group fully achieved its energy-saving and emission reduction goals.

Outlook

In early 2020, the outbreak of the novel coronavirus epidemic ("the Epidemic") resulted in limited logistics capacity in most regions, work resumption delay of upstream enterprises, and supply shortage of raw materials. Offline marketing and services were suspended due to quarantines measures adopted by rural counties, which posed a great challenge to the Group's business operation. The Group considered the safety and health of its employees as most important in combating the Epidemic and shouldered in full the responsibility as a central state-owned enterprise. As at the date of this announcement, there were no employees diagnosed or suspected of being infected; The Group delivered anti-epidemic supplies such as disinfectants and carried out charity activities together with rural counties in combating the Epidemic. The Group's nitrogen, phosphate, potash, basic compound fertilizers and functional compound fertilizers all over the country were put on the market to satisfy the demand from farmers. The Group fully capitalized on the logistics services offered by its e-commerce platform, Fertex, in order to enhance the organizational efficiency of logistics vehicles, ensure smooth delivery of agricultural supplies and lower transportation cost; The Group ceaselessly adopted the model of "online marketing and offline service" by inviting distributors and farmers from multiple channels to participate in online communication, giving guidance on agricultural production activities via short videos, and enhancing service capabilities; The agricultural industry is promptly updated with the latest market information as the Group proactively collects, summarizes and distributes market situation of each region. Each production subsidiary of the Group on the one hand focuses on the prevention and control of the Epidemic, while on the other hand prepares for resumption of work and production. Apart from the Hubei region which was severely affected by the Epidemic, the work resumption rate of each factory in other regions has all increased month-on-month. In closely following the development of the Epidemic, the Group will continue to adjust relevant reactive measures for unremitting prevention and control of the Epidemic. The Group will also cautiously prevent operational risk, proactively pursue preferential benefits such as exemption of tax and social insurance, arrange issuance of short-term commercial paper among banks to secure adequate liquidity of the Group, and promote business transformation by providing fully integrated online and offline services with the use of the new digital marketing system.

Despite the pressure of slowing global economic growth and the potential downward pressure on the growth rate of the domestic economy, the Chinese government will continue to push forward the supply-side reform, consolidate the gains made in the five priority tasks of cutting overcapacity, reducing excess inventory, deleveraging, lowering costs and strengthening areas of weakness, and accelerate the clearing of excess capacity in more industries. Under the continued implementation of safety and environmental protection policies, fertilizer companies will also follow the rule of survival for the fittest and enterprises with backward production capacity will be phased out. 2020 is the final year to build a moderately prosperous society in all respects and the 13th Five-Year Plan. It is also a decisive year to achieve the first centenary goal, and the year to win the fight against poverty. The Rural Revitalization Strategy, as a major decision made at the 19th National Congress of the Communist Party of China, has become a key historical mission in building a moderately prosperous society in all respects and a modern socialist country as well as the main approach of implementing policies related to "agriculture, rural areas and farmers" in the new era.

China's modern agriculture is still in the early stage of development. The oversupply situation in the fertilizer industry still persists. With the advancement of China's agricultural supply-side reform, the trend reform of the fertilizer industry is urgent. Controlling consumption, improving efficiency, focusing on R&D and making up for shortcomings have become the direction of transformation and upgrading of the industry. Safety and environmental protection have been continuously strengthened for a long time to promote the clearing of backward production capacity. The products with high added value and high technology will win more markets. The new format of operation in agriculture is accelerating to take shape. New forms of agricultural subjects are emerging rapidly. The number of family farms and farmers' professional cooperatives has grown rapidly, and their proportion in the structure of planting subjects has continued to increase. Professional technology and supporting services are urgently needed in modern planting models. The integration trend of sales terminals for agricultural inputs is accelerating.

As China's leading technology-based marketing and service provider of crop nutrition, the Group will actively shoulder the tasks of promoting the agricultural modernization and the sound development of the fertilizer industry in China, take root in modern agriculture, optimize its business structure and innovate its business model, so as to achieve stable and sustainable growth in business performance. The Basic Fertilizers Division continued to strengthen strategic procurement and the construction of marketing systems for agricultural and industrial customers, expand the business scale, and explore the model transformation from marketing to platform service based on the Fertex platform. The Distribution Division will focus on differentiated products, promote crop-oriented upgrades of products, develop high-tech and high-margin compound fertilizers, specialty fertilizers and crop protection products. improve the level of digitalization, and further implement the regionalization, horizontal expansion and professionalization of channels. The Manufacturing Division will accelerate the transformation and upgrading, do a good job in relocation of Sinochem Fuling for the sake of environmental protection, and move towards advanced manufacturing. Linyi R&D Center of the Group will enhance the commercial R&D capability, and build a high-throughput R&D and innovation platform for fertilizers. According to the Company's announcement "Change of Shareholding in the Company" published on 5 January 2020, Syngenta Group Co., Ltd. ("Syngenta Group") or one or more of its affiliate(s) will become the controlling shareholder of the Company. The Group will achieve faster transformation and development under the framework of Syngenta Group. In addition, the Group will consolidate its leading advantage in domestic sales scale, strengthen its position in the supply chain, promote the strategy of differentiated products, and further improve its profitability. The Group is committed to innovating the business model and integrating high-quality resources so that the investors can get greater returns, and Chinese farmers can get real benefits, and China's agricultural sector can get improvement in competitiveness.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, sales volume of the group was 11.51 million tons, down by 0.86% over the corresponding period in 2018. Revenue was RMB22,951 million, which was relatively steady compared with the corresponding period in 2018.

For the year ended 31 December 2019, gross profit of the group was RMB2,086 million, up by 9.03% over the corresponding period in 2018. Profit attributable to owners of the Company was RMB616 million, up by 33.91% Over the corresponding period in 2018, which represented a significant improvement in profitability.

I. OPERATION SCALE

1. Sales volume

For the year ended 31 December 2019, sales volume of the Group was 11.51 million tons, down by 0.86% over the corresponding period in 2018. In 2019, the fertilizer prices generally declined. The Group adhered to the direction of strategic development, promoted professional and lean operations, continued to expand strategic procurement, focused on in-depth channel building, implemented differentiated strategies, and concentrated on building a crop-oriented product system to enhance the product competitiveness.

With the continuous readjustment of crop planting structure, the market demand for fertilizer had changed profoundly. The Group implemented the call for "fertilizer application reduction and efficiency improvement" through innovation, and with the product structure transformed to environmentally-friendly and high-efficiency fertilizers, formed an echelon of differentiated products, and high-end compound fertilizer, differentiated nitrogen fertilizer and new phosphate fertilizer became star products. For the year ended 31 December 2019, sales volume of differentiated products was 763,900 tons, up by 31.87% over the corresponding period in 2018. In particular, sales volume of differentiated compound fertilizer was 538,000 tons, up by 37.70% year on year; sales volume of differentiated nitrogen fertilizer was 169,100 tons, up by 9.38% year on year; sales volume of new phosphate fertilizer was 56,800 tons, up by 67.06% year on year.

2. Revenue

For the year ended 31 December 2019, revenue of the Group amounted to RMB22,951 million, which was relatively steady compared with the corresponding period in 2018. In a market environment of continuous decline in price, the Group enhanced its risk resistance capability through promoting differentiated products with high added value, and the average selling price maintained steady compared with the corresponding period in 2018.

Table 1:

	For the year ended 31 December			
	2019		2018	
	Revenue *RMB'000*	**As percentage of total revenue**	Revenue *RMB'000*	As percentage of total revenue
Potash fertilizers	**3,842,063**	**16.74%**	4,501,587	19.58%
Nitrogen fertilizers	**5,336,601**	**23.25%**	4,873,967	21.19%
Compound fertilizers	**5,852,289**	**25.50%**	5,891,047	25.62%
Phosphate fertilizers	**5,004,695**	**21.81%**	4,919,815	21.39%
Monocalcium/Dicalcium phosphate (MCP/DCP)	**879,096**	**3.83%**	832,486	3.62%
Others	**2,036,198**	**8.87%**	1,977,426	8.60%
Total	**22,950,942**	**100.00%**	22,996,328	100.00%

3. Revenue and results by segment

The operating segments of the Group are divided into Basic Fertilizers Segment (procurement and sales of straight fertilizers such as nitrogen, phosphate and potash), Distribution Segment (building of distribution channels, procurement and sales of compound fertilizers and new types of fertilizers) and Production Segment (production and sales of fertilizers and MCP/DCP). During the year, the Group has changed the performance assessment method for each reportable segment. Allocation of operating expenses, share of results of associates and joint ventures and also interest income and expenses has been changed based on the new performance assessment method.

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 December 2019 and the year ended 31 December 2018, in which certain comparative amounts in the segment information have been adjusted to conform with current period's presentation:

Table 2:

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

	For the year ended 31 December 2018				
	Basic Fertilizers	Distribution	Production	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
External revenue	14,985,255	5,739,675	2,271,398	–	22,996,328
Inter-segment revenue	487,138	2,978	1,566,390	(2,056,506)	–
Reportable segment revenue	15,472,393	5,742,653	3,837,788	(2,056,506)	22,996,328
Segment profit	466,018	68,695	80,408	–	615,121

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

The external revenue for the year ended 31 December 2019 was relatively stable compared with the corresponding period in 2018, which was attributable to the slight change of both sales volume and the average selling price compared with the corresponding period in 2018.

For the year ended 31 December 2019, the segment profit of the Group was RMB866 million. In particular, the Basic Fertilizers Segment continued to strengthen strategic partnership with core suppliers both at home and abroad, secured constant and steady supply of competitive products, and by promotion of new technology-based products, enhanced the downstream customer stickiness. It made a profit of RMB494 million in 2019, up by 5.94% over the corresponding period in 2018. Its revenue of the differentiated products was RMB472 million in 2019, up by 22.60% over the corresponding period in 2018. The Distribution Segment firmly implemented the technical marketing model, concentrated on building a crop-oriented product system, accelerated to expand diversified channels and continued to optimize the layout of production capacity of compound fertilizers, which led to a profit of RMB108 million in 2019, up by 56.60% over the corresponding period in 2018, and revenue of the differentiated products was RMB1,132 million in 2019, up by 36.55% over the corresponding period in 2018. Major fertilizer production enterprises of the Production Segment continued to strengthen the fundamental work, realized safe, continuous and stable operation, achieved cost reduction and efficiency improvement and enhanced operation efficiency, which led to a profit of RMB265 million, representing a significant improvement compared with a profit of RMB80 million in 2018. In particular, Sinochem Jilin Changshan Chemical Co., Ltd. ("Sinochem Changshan"), a subsidiary of the Group, made a profit before taxation of RMB104 million, representing a significant increase in profit contribution compared with the losses of RMB52 million in 2018.

II. PROFIT

1. Share of results of joint ventures and associates

Share of results of joint ventures: For the year ended 31 December 2019, the share of results of joint ventures of the Group was basically breakeven, significantly decreased compared with a profit of RMB28 million over the corresponding period of 2018. This was mainly due to the fact that Yunnan Three Circles-Sinochem Fertilizer Co., Ltd. ("Three Circles-Sinochem") realized a loss in 2019 since the price of its main product, phosphate compound fertilizers, significantly declined as result of the insufficient market demand. In 2019, the Group's share of results of Three Circles-Sinochem was a loss of RMB11 million, significantly decreased by RMB27 million year on year. The Group's share of results of Gansu Wengfu Chemical Co., Ltd. ("Gansu Wengfu") was a profit of RMB11 million, down by 8.33% year on year.

Share of results of associates: For the year ended 31 December 2019, the share of results of associates of the Group was a profit of RMB20 million, up by 11.11% compared with a profit of RMB18 million in 2018. The Group's share of results of Yangmei Pingyuan Chemical Co., Ltd. ("Yangmei Pingyuan") was a profit of RMB18 million in 2019, which was relatively steady compared with the corresponding period in 2018.

2. Income tax

For the year ended 31 December 2019, income tax expense of the Group was RMB6 million, of which current income tax expense was RMB23 million and deferred income tax expense was RMB-17 million. In 2019, the taxable profit of subsidiaries of the Group increased over the previous year due to the improvement of business performance. As a result, current income tax expense increased. Sinochem Changshan, a subsidiary of the Group, returned to profitability in 2019. The Group recognized the corresponding deferred income tax assets for the losses that were expected to be recovered in the future based on the prudence principle, and recognized the negative deferred income tax expense.

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

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

For the year ended 31 December 2019, profit attributable to owners of the Company was RMB616 million, up by 33.91% compared with a profit of RMB460 million in 2018, which represented a significant improvement in business performance. Faced with tough market competition and great transformation pressure, the Group adhered to the direction of strategic development, took various operational measures, kept on promoting the guideline of cost reduction and efficiency improvement, carried out a series of technical reform as well as scientific and technological innovations, and constantly deepened business transformation.

For the year ended 31 December 2019, the net profit margin of the Group, calculated by dividing profit attributable to owners of the company by revenue, was 2.68%.

III. EXPENSES

For the year ended 31 December 2019, the three categories of expenses amounted to RMB1,634 million, decreased by RMB120 million or 6.84% from RMB1,754 million over the corresponding period in 2018.

Selling and distribution expenses: For the year ended 31 December 2019, selling and distribution expenses amounted to RMB816 million, decreased by RMB90 million or 9.93% from RMB906 million over the corresponding period in 2018. This was mainly attributable to the fact that the proportion of sales by customers' self-delivery increased in 2019, with the intermediate links reduced, resulting in a significant decrease in transportation and handling charges compared with the corresponding period in 2018.

Administrative expenses: For the year ended 31 December 2019, administrative expenses amounted to RMB648 million, increased by RMB13 million or 2.05% from RMB635 million over the corresponding period in 2018. This was mainly due to that the manufacturing enterprises increased their expenditures on safe production and R&D for new products.

Finance costs: For the year ended 31 December 2019, finance costs amounted to RMB170 million, decreased by RMB43 million or 20.19% from RMB213 million over the corresponding period in 2018. This was mainly due to that the average loan interest rate was lower and the financing expenses of discounted bills decreased.

IV. OTHER INCOME AND GAINS

This mainly consisted of interest income, sales of scrapped materials and raw materials. For the year ended 31 December 2019, the Group's other income and gains amounted to RMB236 million, decreased by RMB76 million or 24.36% from RMB312 million over the corresponding period in 2018, which was mainly due to a decrease in interest income.

V. OTHER EXPENSES AND LOSSES

This mainly consisted of asset impairment loss as well as sales of fixed assets, raw materials and scrapped materials. For the year ended 31 December 2019, the Group's other expenses and losses amounted to RMB59 million, decreased by RMB7 million or 10.61% from RMB66 million over the corresponding period in 2018. In 2018, Sinochem Changshan and Sinochem Chongqing Fuling Chemical Co., Ltd. ("Sinochem Fuling"), subsidiaries of the Group, completed the renovation and handover of water, power, gas supply and property management facilities required by the local government, and bore the relevant expenses.

VI. INVENTORY

As at 31 December 2019, the inventory balance of the Group amounted to RMB5,375 million, decreased by RMB179 million or 3.22% from RMB5,554 million as at 31 December 2018. The Group continued to strengthen the coordination between procurement and marketing and controlled the business rhythm, and thus the inventory scale declined. The inventory turnover days in 2019 was 94 days*(Note)*, the same as that in the corresponding period of last year.

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

VII. TRADE AND BILLS RECEIVABLES

As at 31 December 2019, the balance of the Group's trade and bills receivables amounted to RMB406 million, decreased by RMB129 million or 24.11% from RMB535 million as at 31 December 2018, which was mainly due to that the Group tightened the acceptance scope of bank acceptance note, resulting in a decrease of RMB122 million in the balance of bills receivables as at 31 December 2019 compared with that as at 31 December 2018.

The turnover days of the Group's trade and bills receivables was 7 days*(Note)* in 2019, 1 day slower than 6 days*(Note)* in 2018. The Group actively prevented credit risk, and strengthened the review of credit approval and qualifications of the acceptance banks.

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

VIII. LOANS TO RELATED PARTIES

The Group's balance of loans to related parties was RMB920 million as at 31 December 2019. Sinochem Fertilizer Co., Ltd. ("Sinochem Fertilizer"), a subsidiary of the Group, provided an entrusted loan of RMB670 million to Yangmei Pingyuan through Sinochem Finance Co., Ltd. for daily working capital, and a fund of RMB250 million to Sinochem Agriculture Holdings Limited for daily working capital and purchase of fixed assets.

IX. INTERESTS IN JOINT VENTURES

As at 31 December 2019, the balance of the Group's interests in joint ventures amounted to RMB355 million, decreased by RMB59 million or 14.25% from RMB414 million as at 31 December 2018, which was mainly due to the fact that Hainan Zhongsheng Agricultural Technology Co., Ltd. ("Hainan Zhongsheng") had completed the liquidation procedure and asset allocation, and the Group derecognized its investment in Hainan Zhongsheng, resulting in a decrease of RMB59 million in the interests in joint ventures.

X. INTERESTS IN ASSOCIATES

As at 31 December 2019, the balance of the Group's interests in associates amounted to RMB533 million, increased by RMB17 million or 3.29% from RMB516 million as at 31 December 2018. The increase in the amount included the share of profits of Yangmei Pingyuan of RMB18 million for the current period, and the share of results of Guizhou Xinxin Industrial Group Holdings Limited ("Xinxin Group") and Guizhou Xinxin Coal Chemical Co., Ltd. ("Xinxin Coal Chemical") of a total profit of RMB2 million. In 2019, Qingdao Ganghua Logistics Co., Ltd. ("Qingdao Ganghua") had completed the liquidation procedure and asset allocation, and the Group derecognized its investment in Qingdao Ganghua, resulting in a decrease of RMB4 million in the interests in associates.

XI. OTHER EQUITY SECURITIES

As at 31 December 2019, the balance of the Group's other equity securities amounted to RMB391 million, decreased by RMB107 million or 21.49% from RMB498 million as at 31 December 2018, which was mainly due to a reduction of RMB103 million in fair value of the equity interest of Guizhou Kailin (Group) Co., Ltd. held by the Group after evaluation.

XII. OTHER LONG-TERM ASSETS

As at 31 December 2019, the total amount of the Group's other long-term assets amounted to RMB615 million, increased by RMB592 million from RMB23 million as at 31 December 2018, which was mainly due to that the long-term assets such as property, plant and equipment with a carrying amount of RMB562 million to be dismantled after the suspension of production of Sinochem Fuling, a subsidiary of the Group, was transferred into other long-term assets, and relevant expenses incurred during the transitional period of the relocation would be recognized under such items.

XIII. INTEREST-BEARING LIABILITIES

As at 31 December 2019, the Group's interest-bearing liabilities amounted to RMB2,424 million, decreased by RMB661 million or 21.43% from RMB3,085 million as at 31 December 2018. The three-year medium-term note and ten-year corporate bond held by Sinochem Fertilizer, a subsidiary of the Group, were due and redeemable in 2019, and the Group issued four batches of short-term commercial paper to replenish its working capital and repay part of the liabilities. As at 31 December 2019, Sinochem Fertilizer held shore-term commercial paper with a total amount of RMB2.4 billion. Meanwhile, as subsidiaries of the Group adopted new lease standards and recognized lease liabilities, the balance of long-term and short-term lease liabilities was RMB24 million as at 31 December 2019.

XIV. TRADE AND BILLS PAYABLES

As at 31 December 2019, the balance of the Group's trade and bills payables amounted to RMB3,386 million, increased by RMB243 million or 7.73% from RMB3,143 million as at 31 December 2018, which was mainly due to that the Group made full use of the bank acceptance bills as a settlement tool, resulting in the increase in the balance of bills payables.

XV. OTHER FINANCIAL INDICATORS

The Group uses earnings per share and return on equity (ROE) to evaluate profitability, current ratio and debt-to-equity ratio to evaluate solvency, and the trade and bills receivables turnover days and inventory turnover days to evaluate operating capacity (see the inventory and trade and bills receivables part of Management's Discussion and Analysis). By analyzing financial indexes such as profitability, liquidity and capital adequacy as well as operating capacity, financial standing and operating results can be fully summarized and evaluated, the performance of the management can be effectively assessed and the maximum interest of the owners of the Group can be achieved.For the year ended 31 December 2019, the Group's basic earnings per share was RMB0.0877 and return on equity (ROE) was 8.16%, both increased notably compared with those in 2018.

Table 3:

	2019	2018
Profitability		
Earnings per share (RMB) *(Note 1)*	**0.0877**	0.0656
Return on equity *(Note 2)*	**8.16%**	6.49%

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

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

As at 31 December 2019, the Group's current ratio was 1.21, and the debt-to-equity ratio was 31.48%. The Group enjoyed relatively high banking facilities. Its credit rating by Fitch Ratings was maintained at A-, and it had smooth financing channels and diversified fund-raising methods. The Group maintained a stable financial structure through actively taking various operating measures while domestic funding conditions remained tight.

Table 4:

	As at 31 December	
	2019	2018
Solvency		
Current ratio *(Note 1)*	**1.21**	1.17
Debt-to-Equity ratio *(Note 2)*	**31.48%**	42.60%

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

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

XVI. LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2019, cash and cash equivalents of the Group amounted to RMB1,334 million, which was mainly denominated in RMB and US dollar. Structured deposits of the Group amounted to RMB400 million, and time deposits due within one year of the Group amounted to RMB303 million.

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

Table 5:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Short-term commercial paper	**2,400,000**	–
Other borrowings	**–**	57,500
Lease liabilities	**24,351**	–
Bonds		
Principal amount	**–**	3,030,000
Less: unamortized transaction costs	**–**	(2,115)
Total	**2,424,351**	3,085,385

Table 6:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Carrying amount of interest-bearing liabilities		
Within one year	**2,423,308**	3,085,385
Over one year	**1,043**	–
Total	**2,424,351**	3,085,385

Table 7:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Fixed-rate interest-bearing liabilities	**2,424,351**	3,085,385

As at 31 December 2019, the Group had banking facilities equivalent to RMB26,444 million, including US$1,284 million and RMB17,486 million, respectively. The unutilized banking facilities amounted to RMB22,408 million, including US$1,149 million and RMB14,390 million, respectively.

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

XVII. OPERATION AND FINANCIAL RISKS

The Group's major operation risks include the following: slowdown in global economic growth, tightened external environment, economic and trade frictions one after another, and intensified protectionism. Due to the supply-side structural reform and the policy of cutting overcapacity, economic growth slowed down quarter by quarter and downward pressure continued to increase. Market competition in the fertilizer industry had been intensified under the background of fertilizer application reduction and efficiency improvement, energy conservation and environmental protection as well as acceleration of industry integration. The Group actively took measures to cope with great changes in the domestic and international environment, and significantly improved its performance compared with the same period of 2018, which boosted its confidence. On one hand, the basic business maintained its business scale, brand status and profitability, and consolidated its market competitiveness; on the other hand, the Group continued to promote strategic transformation and resource integration, adjusted and optimized the production capacity structure, promoted and enhanced the role of technical services as a driving force for innovation, improved operation efficiency, and enhanced the potential for business growth, which would reduce the negative impact of operation risks on the financial performance of the Group.

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

Environmental and social risks

With the increasingly strict requirements on environmental protection management and more efforts in pollution control from the government, the enterprises were required to attach great importance to ecological civilization and environmental protection. The subsidiaries of the Group, engaged in resource development and fertilizer production, strictly complied with laws and regulations such as the Environmental Protection Law of the People's Republic of China, the Air Pollution Prevention and Control Law of the People's Republic of China as well as the Water Pollution Prevention and Control Law of the People's Republic of China. By adequate investigation and management on environmental risk sources, they implemented measures to prevent and control pollution of air, surface water, underground water and soil. In addition, they formulated emergency plans for sudden environmental pollution incidents, equipped themselves with necessary emergency disposal materials, prepared emergency drills, and launched emergency plans to limit production for heavy pollution weather. No environmental pollution accident occurred throughout the year of 2019.

Cyber risk and security

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

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

Risks associated with data fraud or theft

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

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

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

Market risk

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

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

Credit risk

The biggest credit risk of the Group is subject to that the counterparties may fail to carry out their obligations with regard to the book value of all types of financial assets recognized and recorded in the consolidated statement of financial position on 31 December 2019. Once the management on credit risk is missing, bad debt losses may influence the normal running of the Group as a result of uncollectible accounts and unavailable inventory after advance payment.

The Group has 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/suppliers, and transfers bad debt risks by proper utilization of various risk protection measures so as to ensure the timely follow-up of credit business. Meanwhile, the Group checks major trade loan recoveries at every settlement date every month to ensure adequate bad debt provision of unrecoverable accounts, for which the credit risk rarely occurs.

Liquidity risk

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

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

XVIII. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no contingent liabilities.

XIX. CAPITAL COMMITMENT

Table 8:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contracted but not provided for		
– Property, plant and equipment	**278,169**	188,350
Authorized but not contracted for		
– Property, plant and equipment	**1,425,975**	1,211,375
Total	**1,704,144**	1,399,725

In the capital commitment of the Group as at 31 December 2019, the main item was the construction of Sinochem Fuling's project with an annual production capacity of 200,000 tons of fine phosphate and supporting new-type special fertilizer located in Baitao Industrial Park of Fuling, Chongqing. The planned investment in 2020 is RMB1,053 million. According to the relocation investment plan, the total investment of the project is RMB3,292 million, and all required funds will be raised by Sinochem Fuling.

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

XX. MATERIAL INVESTMENTS

For the year ended 31 December 2019, the Group had no material investments.

XXI. HUMAN RESOURCES

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

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

The Group reviews its remuneration policy annually and engages professional consultant, if necessary, to ensure the competitiveness of the remuneration policy which, in turn, would support the business growth of the Group. As at 31 December 2019, the Group had about 5,907 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 2019, the Group provided 800 person-times or 12,000 hours of training (any training organized by the subsidiaries has not been included in these numbers). The training courses covered areas such as industrial development, strategy implementation, leadership enhancement, marketing management, operation and management, laws and regulations, finance, human resource management, safe production and general working skills. These training will further improve the management skills and professional standards of the management of the Group and enhance the overall quality of the employees to cater to the Group's rapid developments, and improve the competitiveness of the Group.

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

The board of directors (the "Board") of Sinofert Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, together with the comparative figures for prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Revenue	*3(a)*	**22,950,942**	22,996,328
Cost of sales		**(20,865,294)**	(21,083,401)
Gross profit		**2,085,648**	1,912,927
Other income and gains		**236,176**	312,221
Selling and distribution expenses		**(816,015)**	(906,281)
Administrative expenses		**(648,406)**	(634,745)
Other expenses and losses		**(59,031)**	(66,342)
Profit from operations		**798,372**	617,780
Share of results of associates		**20,361**	17,669
Share of results of joint ventures		**(290)**	28,315
Loss on liquidation of an associate		**(49)**	–
Gain on liquidation of a joint venture		**2,319**	–
Finance costs	*4(a)*	**(170,388)**	(212,632)
Profit before taxation	*4*	**650,325**	451,132
Income tax	*5(a)*	**(5,993)**	37,833
Profit for the year		**644,332**	488,965
Profit for the year attributable to:			
– Owners of the Company		**615,767**	460,486
– Non-controlling interests		**28,565**	28,479
		644,332	488,965

	Note	2019 *RMB'000*	2018 *RMB'000* *(Note)*
Profit for the year		**644,332**	488,965
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(82,106)**	(27,804)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**36,614**	99,976
Other comprehensive income for the year		**(45,492)**	72,172
Total comprehensive income for the year		**598,840**	561,137
Total comprehensive income attributable to:			
– Owners of the Company		**570,275**	532,658
– Non-controlling interests		**28,565**	28,479
		598,840	561,137
Earnings per share			
Basic and diluted (RMB)	*7*	**0.0877**	0.0656

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

		As at 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
			(Note)
Non-current assets			
Property, plant and equipment		**2,394,497**	2,474,431
Lease prepayments		**–**	474,636
Right-of-use assets		**455,754**	–
Mining rights		**513,113**	546,176
Goodwill		**850,429**	843,442
Interests in associates		**532,880**	516,384
Interests in joint ventures		**354,828**	413,989
Other equity securities		**390,570**	498,495
Prepayments for acquisition of property, plant and equipment		**59,664**	61,564
Deferred tax assets		**68,914**	57,322
Other long-term assets	*8*	**614,767**	23,350
		6,235,416	5,909,789
Current assets			
Inventories		**5,375,220**	5,554,467
Trade and bills receivables	*9*	**405,681**	534,717
Other receivables and prepayments		**1,900,960**	2,337,747
Loans to related parties	*10*	**920,000**	1,970,000
Lease prepayments		**–**	13,854
Other financial assets		**400,000**	197,725
Time deposits		**302,500**	500,000
Cash and cash equivalents		**1,333,998**	589,130
		10,638,359	11,697,640

	Note	**As at 31 December** **2019** **RMB'000**	2018 RMB'000 (Note)
Current liabilities			
Trade and bills payables	*11*	**3,385,773**	3,143,134
Contract liabilities		**2,263,578**	2,937,545
Other payables		**679,316**	794,135
Interest-bearing borrowings		**–**	3,085,385
Short-term commercial paper		**2,400,000**	–
Lease liabilities		**23,308**	–
Tax liabilities		**13,305**	13,872
		8,765,280	9,974,071
Net current assets		**1,873,079**	1,723,569
Total assets less current liabilities		**8,108,495**	7,633,358
Non-current liabilities			
Lease liabilities		**1,043**	–
Deferred income		**130,132**	73,075
Deferred tax liabilities		**183,591**	215,322
Other long-term liabilities		**92,329**	103,982
		407,095	392,379
NET ASSETS		**7,701,400**	7,240,979
CAPITAL AND RESERVES			
Issued equity		**5,887,384**	5,887,384
Reserves		**1,863,461**	1,455,865
Total equity attributable to owners of the Company		**7,750,845**	7,343,249
Non-controlling interests		**(49,445)**	(102,270)
TOTAL EQUITY		**7,701,400**	7,240,979

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.

1. GENERAL

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in associates and joint ventures.

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

– financial instruments classified as other equity securities

– financial instruments classified as other financial assets

– bills receivable

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

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognized the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to office premises.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.50%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognized as at 1 January 2019:

	1 January 2019 ***RMB'000***
Operating lease commitments at 31 December 2018	**63,729**
Less: commitments relating to leases exempt from capitalization:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019 and leases of low value assets	**(16,282)**
– Non-lease components	**(3,516)**
	43,931
Less: total future interest expenses	**(1,673)**
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognized at 1 January 2019	**42,258**

The right-of-use assets in relation to leases previously classified as operating leases have been recognized at an amount equal to the amount recognized for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalization of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	530,748	530,748
Lease prepayments (non-current)	474,636	(474,636)	–
Total non-current assets	**5,909,789**	**56,112**	**5,965,901**
Lease prepayments (current)	13,854	(13,854)	–
Current assets	**11,697,640**	**(13,854)**	**11,683,786**
Lease liabilities (current)	–	26,853	26,853
Current liabilities	**9,974,071**	**26,853**	**10,000,924**
Net current assets	**1,723,569**	**(40,707)**	**1,682,862**
Total assets less current liabilities	**7,633,358**	**15,405**	**7,648,763**
Lease liabilities (non-current)	–	15,405	15,405
Total non-current liabilities	**392,379**	**15,405**	**407,784**
Net assets	**7,240,979**	**–**	**7,240,979**

(ii) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognizing rental expenses incurred under operating leases on a straight-line basis over the lease term. The impact on profit before tax is not significant during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Besides the aforementioned above, the accounting policies used in the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of potash fertilizer	**3,842,063**	4,501,587
– Sales of nitrogen fertilizer	**5,336,601**	4,873,967
– Sales of compound fertilizer	**5,852,289**	5,891,047
– Sales of phosphate fertilizer	**5,004,695**	4,919,815
– Sales of monocalcium/dicalcium phosphate ("MCP/DCP")	**879,096**	832,486
– Others	**2,036,198**	1,977,426
	22,950,942	22,996,328

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

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

(b) Segment reporting

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

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

(i) Segment results

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

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

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

During the year, the Group has changed the performance assessment method for each reportable segment. Allocation of operating expenses, share of results of associates and joint ventures and also interest income and expenses has been changed based on the new performance assessment method. Comparative segment information has been adjusted to conform with current year's presentation.

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

2018	Basic fertilizers *RMB'000*	Distribution *RMB'000*	Production *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Revenue					
External revenue	14,985,255	5,739,675	2,271,398	–	22,996,328
Internal revenue	487,138	2,978	1,566,390	(2,056,506)	–
Segment revenue	15,472,393	5,742,653	3,837,788	(2,056,506)	22,996,328
Share of results of associates	–	–	(605)	–	(605)
Segment profit	466,018	68,695	80,408	–	615,121
Unallocated share of results of associates					18,274
Unallocated share of results of joint ventures					28,315
Unallocated expenses					(340,673)
Unallocated income					130,095
Profit before taxation					451,132

(ii) Other segment information

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

2018	Basic fertilizers	Distribution	Production	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measures of segment profit:					
Impairment of trade receivables	(66)	–	(1,462)	–	(1,528)
Impairment of other receivables and prepayments	–	–	(5,622)	–	(5,622)
Impairment of prepayments for acquisition of property, plant and equipment	–	–	(400)	–	(400)
Depreciation and amortization	(846)	(31,023)	(280,646)	(3,453)	(315,968)
Write-down of inventories	(2,641)	(5,263)	(4,331)	–	(12,235)
(Loss)/gain on disposal of property, plant and equipment	(28)	219	7,015	–	7,206
Write-off of payables	240	240	73	–	553

(iii) Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	**RMB'000**	*RMB'000*
Mainland China	**22,125,075**	22,032,834	**5,771,562**	5,349,145
Others	**825,867**	963,494	**4,370**	4,827
	22,950,942	22,996,328	**5,775,932**	5,353,972

4. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2019	2018
	RMB'000	*RMB'000*
		(Note a)
Interest on borrowings	**187,397**	213,452
Interest on lease liabilities *(Note a)*	**1,403**	–
Less: interest expense capitalized *(Note b)*	**(18,412)**	(820)
	170,388	212,632

Notes:

a The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated.

b The capitalization rate used to determine the amount of borrowing costs eligible for capitalization related to construction of production lines is 4.02% (2018: 5.00%) for the year ended 31 December 2019.

(b) Other items

	2019	2018
	RMB'000	*RMB'000*
Depreciation charge		
– owned property, plant and equipment	**239,251**	258,447
– right-of-use assets	**35,388**	–
Amortization of lease prepayments	**–**	13,242
Amortization of mining rights	**33,063**	32,901
Amortization of other long-term assets	**7,001**	11,378
Loss/(gain) on disposal of property, plant and equipment	**6,106**	(7,206)
Loss on liquidation of an associate	**49**	–
Gain on liquidation of a joint venture	**(2,319)**	–
Impairment of trade and bills receivables	**5,319**	1,528
Fair value changes of financial assets	**–**	(1,305)
(Reversal of) impairment of other receivables and prepayments	**(1,518)**	5,622
Impairment of prepayments for acquisition of property, plant and equipment	**–**	400
Write-down of inventories	**8,559**	12,235
Impairment loss on property, plant and equipment	**13,563**	–
Foreign exchange loss/(gain)	**1,803**	(8,430)
Rental income	**(12,281)**	(11,198)
Dividend income from listed equity securities	**(5,080)**	(4,347)
Interest income from related parties	**(73,776)**	(38,971)
Interest income from time deposits	**(6,571)**	(8,243)
Other interest income	**(55,210)**	(157,326)
Sales of semi-product, raw materials and scrapped materials	**(20,332)**	(18,759)
Write-off of payables	**(10,653)**	(553)

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

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

	2019	2018
	RMB'000	*RMB'000*
Provision for the year		
PRC Enterprise Income Tax	**(23,497)**	(14,352)
Over-provision in prior years		
PRC Enterprise Income Tax	**–**	213
Deferred tax		
Origination and reversal of temporary differences	**17,504**	51,972
	(5,993)	37,833

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

(ii) The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year.

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

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

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

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

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**650,325**	451,132
Tax calculated at the applicable tax rate of 25%	**(162,581)**	(112,783)
Effect of different income tax rates	**58,071**	45,294
Tax effect of non-deductible expenses	**(9,352)**	(14,970)
Tax effect of non-taxable income	**255**	38
Tax effect of share of results of associates	**5,090**	4,417
Tax effect of share of results of joint ventures	**(72)**	7,079
Effect of prior year unrecognized tax losses and deductible temporary differences utilized during the year	**106,085**	118,004
Effect of tax losses and deductible temporary difference not recognized	**(3,489)**	(9,459)
Over-provision in prior years	**–**	213
Income tax (expense)/credit for the year	**(5,993)**	37,833

6. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.0294, equivalent to approximately RMB0.0263 per share (2018: HK$0.0224, equivalent to approximately RMB0.0196 per share)	**185,000**	137,868

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

7. EARNINGS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Earnings attributable to owners of the Company		
Earnings for the purpose of basic/diluted earnings per share	**615,767**	460,486

	2019	2018
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic/diluted earnings per share	**7,024,456**	7,024,456

The Group has no dilutive ordinary shares outstanding during the years ended 31 December 2019. Therefore, there was no difference between basic and diluted earnings per share.

8. OTHER LONG-TERM ASSETS

	2019	2018
	RMB'000	*RMB'000*
Activators	**23,279**	23,350
Relocation for Sinochem Chongqing Fuling Chemical Fertilizer Co., Ltd. ("Sinochem Fuling") *(Note)*	**591,488**	–
	614,767	23,350

Note: The government of Fuling District in Chongqing ("the Government") and the Group entered into a relocation agreement ("the relocation agreement") on 6 August 2019. Pursuant to the relocation agreement, Sinochem Fuling, a subsidiary of the Group, will relocate its factories in Nananpu, demolish the buildings, restore the land and return it to the Government no later than June 2021. In return, the Government will compensate the losses of Sinochem Fuling arising from the relocation, with a cap of RMB 1billion, after the Government receives the land.

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

9. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**39,289**	46,743
Less: loss allowance *(Note (b))*	**(2,693)**	(2,674)
	36,596	44,069
Bills receivable	**374,385**	490,648
Less: loss allowance *(Note (b))*	**(5,300)**	–
	369,085	490,648
Total trade and bills receivables, net of loss allowance	**405,681**	534,717

(a) Aging analysis of trade and bills receivables

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**225,025**	338,987
More than 3 months but within 6 months	**98,118**	129,899
More than 6 months but within 12 months	**69,558**	63,581
Over 12 months	**12,980**	2,250
	405,681	534,717

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

(b) Loss allowance of trade and bills receivables

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Balance at 1 January	**2,674**	1,212
Impairment recognized	**5,319**	1,528
Write-off of uncollectible receivables	**–**	(66)
Balance at 31 December	**7,993**	2,674

10. LOANS TO RELATED PARTIES

	Note	**As at 31 December**	
		2019	2018
		RMB'000	*RMB'000*
Sinochem Agriculture Holdings Limited ("Sinochem Agriculture")	*(i)*	**250,000**	800,000
Sinochem Corporation		**–**	500,000
Yangmei Pingyuan Chemicial Co., Ltd. ("Yangmei Pingyuan")	*(ii)*	**670,000**	670,000
Balance at 31 December		**920,000**	1,970,000

Notes:

(i) The entrusted loans lent to Sinochem Agriculture, a subsidiary of Sinochem Group Co., Ltd., through Sinochem Finance Co., Ltd. ("Sinochem Finance") of RMB250,000,000 are guaranteed by Sinochem Corporation, bear fixed interest rate of 4.2% (2018: 4.385%) per annum and due for repayment on 24 December 2020.

(ii) The entrusted loans lent to Yangmei Pingyuan through Sinochem Finance are unsecured, bear annual interest rate of 6.1% (2018: 6.1%) per annum and are repayable within one year.

11. TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**1,367,060**	1,264,013
Bills payable	**2,018,713**	1,879,121
Trade and bills payables	**3,385,773**	3,143,134

As at 31 December 2019, the aging analysis of trade and bills payables presented based on the invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 3 months	**2,934,579**	2,347,968
More than 3 months but within 6 months	**353,709**	676,689
More than 6 months but within 12 months	**34,576**	31,184
Over 12 months	**62,909**	87,293
	3,385,773	3,143,134

12. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Change of shareholding in the Company

Sinochem Hong Kong (Group) Company ("Sinochem HK") has entered into a share transfer agreement with China Chemical (Shanghai) Agricultural Technology Corporation Ltd., renamed as Syngenta Group Co., Ltd. ("Syngenta Group"), on 5 January 2020, pursuant to which Sinochem HK has agreed to transfer 3,698,660,874 shares held by it in the Company to Syngenta Group or one or more of its affiliate(s), for an aggregate consideration of US$1. The transfer was not yet completed as of the date of this announcement. Syngenta Group is an indirect wholly-owned subsidiary of China National Chemical Corporation Ltd. which is a PRC wholly state-owned chemical enterprise under the direct supervision and administration of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. Following the completion of the transfer, Syngenta Group (or its affiliate(s), as the case may be) will become the substantial and controlling shareholder of the Company.

(b) Capital injection to Sinochem Fuling

On 16 March 2020, the board of Directors of the Company announced that Sinochem Fertilizer Company Limited ("Sinochem Fertilizer"), Sinochem Fuling, the Fuling District State-owned Assets Supervision and Administration Commission of Chongqing ("Fuling SASAC"), Chongqing Fuling State-owned Assets Management Group Co., Ltd. (重慶市涪陵國有資產投資經營集團有限公司, ("Fuling SAM")) and Suzhou Compound Fertilizer Plant Co., Ltd. (蘇州複合肥廠有限公司) entered into an agreement ("the Transaction"), pursuant to which (i) Sinochem Fertilizer agreed to convert an amount of RMB700,000,000 in the outstanding shareholder's loans extended by it to Sinochem Fuling into an additional registered capital of Sinochem Fuling; and (ii) Fuling SAM, a wholly-owned subsidiary of Fuling SASAC, agreed to subscribe for an additional registered capital of Sinochem Fuling of RMB210,000,000 in cash. Upon completion of the Transaction, the registered capital of Sinochem Fuling will increase from RMB148,000,000 to RMB1,058,000,000, and the shareholding percentage of Sinochem Fertilizer in Sinochem Fuling will increase from 60% to 74.56%. The Transaction will be finished by 30 June 2021.

(c) The impact of Novel Coronavirus Pneumonia outbreak

The Novel Coronavirus Pneumonia outbreak (the "NCP Outbreak") since early 2020 has brought about additional uncertainties to the Group's operating environment and may impact the Group's operations and financial position. As of the date of this announcement, there were no employees diagnosed or suspected of being infected. The Group has been closely monitoring the impact from the NCP Outbreak on the Group's businesses and has commenced to put in place various contingency measures. These contingency measures include but not limited to communicating with distributors and farmers online to ensure the normal operation of business; obtaining the road traffic status in various regions in the PRC regularly and arranging the logistics plan in advance; using the logistics services offered by its e-commerce platform, Fertex, to enhance the efficiency in organising logistics vehicles and reduce transportation cost; focusing on the prevention of the epidemic to ensure the production entities are operating at optimal level (except for the Hubei region which was severely affected by the epidemic).

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0294 (equivalent to approximately RMB0.0263) per share for the year ended 31 December 2019 (2018: HK$0.0224 (equivalent to approximately RMB0.0196) per share) to the shareholders, estimated to be HK$206,519,000 (equivalent to approximately RMB185,000,000) out of the contributed surplus of the Company. It is expected that the relevant dividend will be paid by 24 July 2020 to those entitled, subject to shareholders' approval at the forthcoming annual general meeting.

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, financial control, internal controls system, risk management and financial reporting matters including the review of the consolidated financial statements of the Company for the year ended 31 December 2019.

SCOPE OF WORK OF KPMG ON THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this annual results announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and its amendments from time to time as its own code of conduct regarding securities transaction by directors. Having made specific enquiries with all directors of the Company, all directors confirmed through a confirmation that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2019

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

CORPORATE GOVERNANCE STANDARDS

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

The Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code") sets out the principles of good corporate governance, and two levels of recommendations: (a) code provisions; and (b) recommended best practices. It also includes the mandatory disclosure requirements and recommended disclosures in respect of corporate governance for listed companies. For the year ended 31 December 2019 and up to the date of this announcement, the Company has complied with the applicable code provisions set out in the Corporate Governance Code, except for the deviations from the code provisions A.1.7 and E.1.2 as described below.

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

The code provision E.1.2 provides that, among others, the chairman of the board should attend the annual general meeting of the listed issuer. On 11 January 2019, Mr. Zhang Wei, the then Chairman of the Board resigned as a non-executive director and Chairman of the Board of the Company. Following Mr. Zhang's resignation, Mr. Yang Lin has been authorized to assume the role and duties of the Chairman until a new Chairman of the Board is appointed. In the annual general meeting of the Company held on 18 June 2019 (the "2019 AGM"), Mr. Yang Lin did not chair the meeting due to other essential business engagements. In order to ensure smooth holding of the 2019 AGM, Mr. Yang Lin authorized and the directors attending the meeting elected Mr. Harry Yang, the executive director of the Company, to chair the meeting. Respective chairmen or representatives of the audit, remuneration, nomination and corporate governance committee of the Company were present at the 2019 AGM and were available to answer relevant questions, which was in compliance with other part of code provision E.1.2.

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

BOARD OF DIRECTORS

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

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

Hong Kong, 26 March 2020

* *For identification purposes only*