

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SINOFERT HOLDINGS LIMITED

中化化肥控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 297)

INSIDE INFORMATION PROVISION OF LOAN TO AN ASSOCIATE

This announcement is made by the Company pursuant to the inside information provision under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

The Board wishes to inform shareholders of the Company and potential investors that on 26 January 2024, the Board has unanimously resolved to approve the provision by Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, of the Loan in an aggregate amount of approximately RMB167.67 million to Yangmei Pingyuan, its associate, in proportion to its shareholding to Yangmei Pingyuan, for the resettlement of Yangmei Pingyuan's employees.

BACKGROUND

Reference is made to the announcement of the Company dated 7 December 2023. As stated in such announcement, Yangmei Pingyuan received a notice from the People's Government of Pingyuan County on 1 December 2023, requiring Yangmei Pingyuan to shut down and phase out 42 fixed bed gasifiers then in operation by 31 December 2023.

The shutdown of the relevant gasifiers was part of the work arrangements under the policy of the State Council on "Relocation of Hazardous Chemical Production Enterprises from City Urban Areas to Industrial Parks" and the decision of the Government of Shandong Province for phasing out of outdated facilities and equipment in the fertilizer industry. The result of the mandated shutdown is that, at present, Yangmei Pingyuan ceased operations, its cash flow has been affected and its future operation is uncertain. Yangmei Pingyuan's assets are relatively limited and it will be difficult to realize these in the short term for payment of costs including those arising from a plan that has been established to resettle Yangmei Pingyuan's employees (the "**Resettlement of Employees**") as required by relevant laws and regulations in the PRC. In order to resettle employees in a proactive and orderly manner, Yangmei Pingyuan will need to borrow funds from its shareholders. The other shareholders of Yangmei Pingyuan, namely Yangmei Chemical and Pingyuan Juyuan, have agreed to provide loans to Yangmei Pingyuan in proportion to their respective shareholdings, and will sign the Loan Contract with Sinochem Fertilizer with the same terms and conditions as those described below.

PROVISION OF LOAN AND THE LOAN CONTRACT

It is estimated that the funds needed by Yangmei Pingyuan for the Resettlement of Employees amount to approximately RMB456.24 million. Yangmei Pingyuan is applying to Sinochem Fertilizer for the Loan in an aggregate amount of approximately RMB167.67 million in proportion to its shareholding for the Resettlement of Employees (the specific amount of which is subject to the review and confirmation by the third-party auditing firm in respect of the funds needed by and the shortage of funds of Yangmei Pingyuan).

Principal Terms of the Loan Contract

Sinochem Fertilizer intends to enter into the Loan Contract with other shareholders of Yangmei Pingyuan (i.e. Yangmei Chemical and Pingyuan Juyuan) and Yangmei Pingyuan, the principal terms of which are as follows:

- Parties:** (a) Sinochem Fertilizer, Yangmei Chemical and Pingyuan Juyuan (as the lenders); and
(b) Yangmei Pingyuan (as the borrower).
- Loan:** The lenders will provide loans to Yangmei Pingyuan in proportion to their respective shareholdings in Yangmei Pingyuan, including, among others, the Loan in an aggregate amount of approximately RMB167.67 million to be provided by Sinochem Fertilizer.
- Use of funds:** The Loan shall be used only for the payments in relation to the Resettlement of Employees.
- Term:** Two years from the date of release of funds.
- Interest rate:** The applicable interest rate shall be the loan prime rate (LPR) for one-year loans authorized for publication by the National Interbank Funding Center as announced by the People's Bank of China.

SAFEGUARD MEASURES UNDER THE LOAN CONTRACT

Considering that Yangmei Pingyuan has already defaulted on its bank loans, there is a risk that Sinochem Fertilizer will not be able to fully recover the Loan. In order to mitigate the credit risks associated with the Loan as much as possible, Sinochem Fertilizer has negotiated with the relevant parties the following safeguard measures:

- (1) A communication letter issued by Yangmei Chemical, the largest shareholder of Yangmei Pingyuan, has been obtained, which contains an undertaking that Yangmei Chemical will procure Yangmei Pingyuan to dispose of its assets according to law, and any proceeds received therefrom will be used, on a priority basis, for the settlement of the loans provided by shareholders in proportion to their shareholdings to Yangmei Pingyuan for the Resettlement of Employees, to the extent required by the law;
- (2) Sinochem Fertilizer has proposed to the local government that coordination should be made by the government with respect to the disposal of the current lands held by and the transfer of

energy consumption index of Yangmei Pingyuan, and no malicious transfer shall be made to any third parties in the future;

- (3) The Loan will be deposited into a bank account under the joint supervision by five parties, including the Key Work Headquarters of the Chemical Industry of Yangmei (Pingyuan) (which is an integrated institution established by the departments under the People's Government of Pingyuan County for handling the shutdown of Yangmei Pingyuan, the "**Work Headquarters**"), the three lenders and Yangmei Pingyuan. The three lenders (including Sinochem Fertilizer) shall each entrust one authorized person to review and sign the application for payment. Such application shall be further signed by the Work Headquarters before it can be arranged for payment by way of affixing the relevant chops. The above arrangements can ensure that the Loan is earmarked for its specified purpose only. The remaining amount in such bank account, if any, will be refunded to the lenders in proportion to their respective shareholdings;
- (4) A review and confirmation shall be made by a third-party auditing firm in respect of the funds needed by Yangmei Pingyuan for the Resettlement of Employees and its shortage of funds, for the purpose of preventing the amount of the Loan to be provided in excess of the amount that Yangmei Pingyuan actually needs; and
- (5) A legal opinion issued by a PRC legal counsel has been obtained, pursuant to which, under the current laws and regulations of the PRC, any payment on behalf made by a third party in respect of employee claims shall, in principle, be in the nature of employee claims, and a declaration thereof may be made to an administrator during bankruptcy proceedings and such loan for the Resettlement of Employees can be repaid in priority according to the order of repayment of employee claims.

The Company will continue to monitor the developments and act proactively in negotiations with the relevant parties, so as to strive to mitigate the credit risk associated with the Loan to the greatest extent possible and safeguard the interests of the Company and its shareholders.

REASONS FOR THE PROVISION OF LOAN

In June 2008, Sinochem Fertilizer acquired 75% equity interest of Yangmei Pingyuan by way of business restructuring, for the purposes of launching its industrial layout and transformation and opening up upstream and downstream industry chains, as a result of which Yangmei Pingyuan became a non-wholly owned subsidiary of the Company. During the period when Yangmei Pingyuan was its subsidiary, Sinochem Fertilizer had optimized its business layout in the coal chemical industry and expanded its product mix through the operation of Yangmei Pingyuan, thus developing itself into a leading company in the fertilizer industry that focuses on the integration of production, supply and distribution. During the period from 2008 to 2012, Yangmei Pingyuan contributed to the overall operations and product supplies of Sinochem Fertilizer.

In October 2012, in order to increase its upstream resources, Yangmei Pingyuan carried out a capital increase by introducing Yangmei Chemical as its strategic investor. After the completion of such capital increase, Yangmei Pingyuan is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and Pingyuan Juyuan, respectively. Since then, Sinochem Fertilizer provided loans and guarantees to Yangmei Pingyuan according to the relevant ratios in accordance with the relevant capital increase agreement, and received related interest and guarantee income.

In consideration of the contributions that Yangmei Pingyuan has made to the business development and overall operations of the Group over the past 15 years, as well as other factors set out below, the Company has decided to provide the Loan to Yangmei Pingyuan by Sinochem Fertilizer in proportion to its shareholding, to help Yangmei Pingyuan to resolve the issue of employee resettlement:

- (1) Given that other shareholders of Yangmei Pingyuan agreed to provide loans in proportion to their respective shareholdings, the provision of the Loan to Yangmei Pingyuan by Sinochem Fertilizer, in proportion to its shareholding in respect of the funds for the Resettlement of Employees, will help protect the good reputation and social image of the Company, mitigate the impact on the goodwill of the Company as a result of the employee resettlement issue, and effectively facilitate the Resettlement of Employees by Yangmei Pingyuan as required under relevant laws and regulations of the PRC;
- (2) The Group currently has sufficient capital. The provision of the Loan will not have any material impact on the Group's day-to-day business operations and financial liquidity; and
- (3) As stated above, Sinochem Fertilizer has negotiated with the relevant parties a series of safeguard measures to mitigate the credit risk associated with the Loan as much as possible.

The Board is of the view that the provision of the Loan and the principal terms of the Loan Contract are determined by the parties thereto on an arm-length basis, are fair and reasonable and on normal commercial terms, and safeguard the interests of the Company as a whole.

IMPLICATIONS OF THE LISTING RULES

Reference is made to the announcement of the Company dated 7 June 2023 in relation to the provision of guarantee in a total amount of RMB478,695,900 by Sinochem Fertilizer for Yangmei Pingyuan's bank loans (the "2023 June Guarantee"), which constituted a discloseable transaction of the Company.

In November 2023, Sinochem Fertilizer provided a guarantee in a total amount of approximately RMB22 million (the "2023 November Guarantee") for Yangmei Pingyuan's bank loans, which was fully exempted from the reporting and disclosure requirements under Chapter 14 of the Listing Rules because all the applicable percentage ratios as described in Rule 14.07 of the Listing Rules were less than 5%.

Given that (i) all applicable percentage ratios as described in Rule 14.07 of the Listing Rules in respect of the provision of the Loan (on standalone basis) are less than 5%, (ii) all applicable percentage ratios as described in Rule 14.07 of the Listing Rules in respect of the provision of the Loan, when aggregated with the 2023 November Guarantee, are less than 5%, and (iii) all applicable percentage ratios as described in Rule 14.07 of the Listing Rules in respect of the provision of the Loan, when aggregated with 2023 November Guarantee and 2023 June Guarantee, are more than 5% and less than 25%, and the 2023 June Guarantee has been disclosed as a discloseable transaction under Chapter 14 of the Listing Rules, the provision of the Loan and the transactions contemplated under the Loan Contract are exempted from compliance with the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

GENERAL INFORMATION

The Company is principally engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, provision of technological research and

development and services relating to crop nutrition business and products, exploration and exploitation of phosphate mine, and production of monocalcium/dicalcium phosphate (MCP/DCP) in the PRC.

Sinochem Fertilizer, an indirect wholly-owned subsidiary of the Company, is engaged in the production, import and export, distribution and retail of raw materials and finished products of crop nutrition products, as well as research and development and services relating to crop nutrition business and products.

Yangmei Pingyuan is principally engaged in the production and sale of urea, methanol, ammonium acid carbonate and melamine, etc. Yangmei Pingyuan is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and Pingyuan Juyuan, respectively. Other than 36.75% of its equity interest which is held by Sinochem Fertilizer, Yangmei Pingyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Yangmei Chemical is a company listed on the Shanghai Stock Exchange with stock code 600691. It is principally engaged in the production and sale of coal chemical products. Yangmei Chemical and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Pingyuan Juyuan is ultimately owned by the State-owned Assets Supervision and Administration Bureau of Pingyuan County and is principally engaged in the management and operation of state-owned assets as authorized by the relevant governmental authority and the provision of guarantees to loans extended to major enterprises as working capital and funds for technical improvement. Pingyuan Juyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Company”	Sinofert Holdings Limited, a company incorporated on 26 May 1994 in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Loan”	the loan in an aggregate amount of approximately RMB167.67 million to be provided to Yangmei Pingyuan by Sinochem Fertilizer in proportion to its shareholding
“Loan Contract”	the loan contract to be entered into by and among Sinochem Fertilizer, Yangmei Chemical, Pingyuan Juyuan and Yangmei Pingyuan
“Pingyuan Juyuan”	平原縣聚源國有資產經營有限公司(Pingyuan Juyuan State-owned Assets Operation Co., Ltd.), a company incorporated in the PRC, and a shareholder of Yangmei Pingyuan
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sinochem Fertilizer”	中化化肥有限公司 (Sinochem Fertilizer Company Limited), a limited liability company incorporated in the PRC, and an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Yangmei Chemical”	陽煤化工股份有限公司(Yangmei Chemical Co., Ltd.), a limited liability company incorporated in the PRC and the largest shareholder of Yangmei Pingyuan
“Yangmei Pingyuan”	陽煤平原化工有限公司(Yangmei Pingyuan Chemical Company Limited), a limited liability company incorporated in the PRC, which is owned as to 51%, 36.75% and 12.25% by Yangmei Chemical, Sinochem Fertilizer and Pingyuan Juyuan, respectively, and an associate of the Group
“%”	percent

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

Hong Kong, 28 January 2024

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