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# SINOFERT HOLDINGS LIMITED

## 中化化肥控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 297)**

### ANNOUNCEMENT PROFIT WARNING

This announcement is made by Sinofert Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on a preliminary review of the unaudited consolidated management accounts of the Group, it is expected that the Group will record a profit attributable to owners of the Company for the year ended 31 December 2023 between RMB550 million and RMB650 million, which represents a decrease as compared to the profit attributable to owners of the Company for the year ended 31 December 2022 of RMB1,117 million. Based on the information currently available, the expected decrease is mainly attributable to the following reasons:

#### 1. Provision for asset impairment loss for interests in an associate

Reference is made to the announcement of the Company dated 7 December 2023. As stated in such announcement, Yangmei Pingyuan Chemical Company Limited (“**Yangmei Pingyuan**”) is owned as to 36.75% by Sinochem Fertilizer Company Limited (“**Sinochem Fertilizer**”, an indirect wholly-owned subsidiary of the Company) and is therefore an associate of Sinochem Fertilizer. On 1 December 2023, Yangmei Pingyuan received a notice from the People’s Government of Pingyuan County, 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from City Urban Areas to Industrial Parks” and the decision of the Government of Shandong Province for phasing out of outdated facilities and equipment in the fertilizer industry.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 has ceased operations, its cash flows have been affected and its future operations are uncertain.

Given the full cessation of production of Yangmei Pingyuan, the Company will record a provision for asset impairment loss on the full amount of its carrying value of interests in Yangmei Pingyuan, in the amount of approximately RMB200 million, in the consolidated results of the Group for the year 2023 to be published soon.

2. Provision for expected credit loss due to performance of guarantees obligations by Sinochem Fertilizer for its associate

References are made to the announcements of the Company dated 7 June 2023 and 3 January 2024. As stated in such announcements, (i) on 7 June 2023, Yangmei Pingyuan and Bank of Beijing Co., Ltd., Jinan Branch (“**BOB Jinan Branch**”) entered into a total of ten loan contracts (the “**Loan Contracts**”), pursuant to which BOB Jinan Branch agreed to provide the loans in a total principal amount of RMB470,087,200 to Yangmei Pingyuan. On the same day, Sinochem Fertilizer, as a shareholder of Yangmei Pingyuan, entered into a total of ten pledge contracts (the “**Pledge Contracts**”) with BOB Jinan Branch, in satisfaction of its own obligations under the capital increase agreement which it previously entered into, to provide financial support to Yangmei Pingyuan in proportion to its shareholding. Pursuant to the Pledge Contracts, Sinochem Fertilizer agreed to pledge cash deposits in a total amount of RMB478,695,900 in favour of BOB Jinan Branch to guarantee the due performance of the repayment obligations by Yangmei Pingyuan under the Loan Contracts; and (ii) Sinochem Fertilizer received a notice from BOB Jinan Branch for the performance of guarantee obligations on 3 January 2024, informing that Yangmei Pingyuan did not make timely repayment in respect of its loan in an amount of RMB89,674,410 when due on 1 January 2024 and BOB Jinan Branch therefore required Sinochem Fertilizer to satisfy its guarantee repayment obligations under the Pledge Contracts by fully settling the principal and interest of the loan in an aggregate amount of RMB89,771,569.42 on behalf of Yangmei Pingyuan.

In addition, the fact that Yangmei Pingyuan did not make timely repayment in respect of its loan in an amount of RMB89,674,410 when due on 1 January 2024 has constituted an event of breach under the Loan Contracts. In this connection, BOB Jinan Branch has also served notices for early repayment to Sinochem Fertilizer subsequently, declaring the acceleration of maturity of Yangmei Pingyuan’s other outstanding loans and requiring Sinochem Fertilizer to settle the corresponding principal and interest of such loans on behalf of Yangmei Pingyuan in an aggregate amount of RMB209,889,535.77. As at the date of this announcement, Sinochem Fertilizer had fully paid off the principal and interest of such loans under the Loan Contracts to BOB Jinan Branch on behalf of Yangmei Pingyuan.

Other than the aforesaid Pledge Contracts, as at the date of this announcement, the remaining guarantee provided by Sinochem Fertilizer in respect of Yangmei Pingyuan’s other outstanding bank loan amounted to RMB22,050,000. The repayment date of such bank loan shall be 7 November 2024. It is expected that Sinochem Fertilizer will continue to perform the guarantee obligation in relation to the aforesaid loan as required by the relevant guarantee agreement.

Upon assessment of the guarantee obligations performed by Sinochem Fertilizer and the solvency of Yangmei Pingyuan, the Company will record provisions for expected credit loss of approximately RMB320 million in relation to such guarantees in the consolidated results of the Group for the year 2023 to be published soon.

Upon performance of its guarantee obligations, Sinochem Fertilizer, as the creditor of Yangmei Pingyuan, will act proactively in negotiation with the relevant parties and file claims against Yangmei Pingyuan for recovery of such debts, in order to seek, to the greatest extent possible, indemnifications against any loss suffered by the Company in connection with its undertaking of the guarantee obligations and to safeguard the legitimate rights and interests of the Company and its shareholders.

If not considering such provisions for asset impairment loss and expected credit loss, the profit attributable to owners of the Company for the year ended 31 December 2023 will basically remain at a similar level to that of the previous year. For the year ended 31 December 2023, the core crop nutrition business of the Group continued to grow steadily, and its production and operation were carried out normally and smoothly in all aspects. The Group has a healthy balance sheet with good financial liquidity and the performance of the guarantee obligations will not have material impact on its financial liquidity. At present, the Group's fundamental elements remained solid, and on this basis, the Company continues to strive to maximize profits and create value for its shareholders in a long-term and sustainable manner.

The information contained in this announcement is only a preliminary assessment made by the Board based on the consolidated management accounts of the Group and the information currently available to the Board, and such consolidated management accounts have not been audited by the Company's auditors. Shareholders of the Company and potential investors are advised to carefully review the financial information of the Group to be disclosed in the annual results announcement of the Company, which is expected to be published in March 2024.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 31 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.*