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CHINA XLX FERTILISER LTD.

中國心連心化肥有限公司 *

(Incorporated in Singapore with limited liability)

(Hong Kong Stock Code: 1866)

**CONNECTED TRANSACTION
THE ENTERING OF THE EQUITY TRANSFER AGREEMENT**

EQUITY TRANSFER AGREEMENT

On 20 February 2023, XLX Intelligent Equipment, a subsidiary of the Company, entered into the Equity Transfer Agreement with XLX Chem. According to the Equity Transfer Agreement, XLX Chem intends to transfer its 100% equity interest in the Target Company to XLX Intelligent Equipment, and XLX Intelligent Equipment will pay RMB8.8851 million as consideration to XLX Chem.

LISTING RULES IMPLICATIONS

As XLX Chem is deemed to be a connected person of the Company under Rule 14A.07 of the Listing Rules (as discussed in details below), the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest relevant percentage ratio calculated as per the Listing Rules for the Equity Transfer Agreement is greater than 0.1% but less than 5%, the Equity Transfer Agreement is subject to the reporting and announcement requirements only but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

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The principal terms of the Equity Transfer Agreement are as follows:

Date:	20 February 2023
Parties:	(i) XLX Chem (as transferor); (ii) XLX Intelligent Equipment (as transferee)
Subject Matter:	XLX Chem agreed to transfer its 100% equity interest in the Target Company (4,000,000 shares in total) to XLX Intelligent Equipment.
Consideration and Payment:	XLX Intelligent Equipment will pay RMB8.8851 million as consideration for equity transfer to XLX Chem within ten days after signing the Equity Transfer Agreement.
Completion:	The Completion date of the equity transfer shall be the date of completion of the procedures for industrial and commercial changes of the equity transfer.

BASIS OF DETERMINATION OF THE CONSIDERATION

The consideration of RMB8.8851 million under the Equity Transfer Agreement was determined after arm's length negotiations between the parties based on the principle of fairness and with reference to the Target Company's estimated net assets per share, being RMB2.2 per share as at 30 November 2022. Based on the above, the Directors (including the independent non-executive Directors) consider that the consideration under the Equity Transfer Agreement is fair and reasonable.

INFORMATION ON THE GROUP AND XLX INTELLIGENT EQUIPMENT

The Group is principally engaged in the development, manufacturing and sales of urea, compound fertilisers, methanol, dimethyl ether, melamine, furfuryl alcohol and related products.

XLX Intelligent Equipment is a subsidiary of the Company, which is principally engaged in the manufacturing and sales of chemical and environmental protection equipments.

INFORMATION ON XLX CHEM AND THE TARGET COMPANY

XLX Chem is engaged in the business of producing and trading of equipment, chemical products and raw materials, and the provision of accommodation and catering services. XLX Chem is owned by 46 individuals who are incumbent or retired directors, senior management or employees of the Group, and three of such shareholders are also directors of the Company. Mr. Liu Xingxu, the Chairman and executive Director, is the largest shareholder who holds 9.98% equity interest in XLX Chem. Ms. Yan Yunhua and Mr. Zhang Qingjin, executive Directors, hold 3.69% and 2.14% equity interest in XLX Chem, respectively.

The Target Company is a company incorporated in the PRC with limited liability and a wholly owned subsidiary of XLX Chem. The Target Company is principally engaged in the technology research and construction of the anti-corrosion and heat preservation projects, and it is an enterprise with Grade II professional contractor of anti-corrosion and heat preservation projects (防腐保溫工程專業承包貳級資質).

The table below sets out certain consolidated financial information for the two financial years ended 31 December 2021 and the six months ended 30 June 2022 of the Target Company and its subsidiaries:

	For the year ending 31 December		For the six months
	2020	2021	ending 30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Income	10,100	14,732	6,642
Profit before income tax	1,278	1,160	507
Profit for the Year	1,273	1,156	489

On 30 June 2022, the unaudited total assets and net assets of the Target Company were approximately RMB52.84 million and RMB7.84 million, respectively.

REASONS FOR AND BENEFITS OF THE ENTERING OF THE EQUITY TRANSFER AGREEMENT

Anti-corrosion business is an important business operated by XLX Intelligent Equipment. Acquisition of the Target Company is beneficial to enhancing the development of XLX Intelligent Equipment's anti-corrosion business, facilitating the Group's integration of upstream and downstream businesses, improving the level of production and manufacturing process, as well as increasing XLX Intelligent Equipment's overall productivity while generating synergy, thereby enhances the Group's overall strengths.

The Equity Transfer Agreement was entered into after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) consider that the transactions under the Equity Transfer Agreement have been entered into in the ordinary and usual course of business of the Group on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and Shareholders as a whole.

FINANCIAL EFFECTS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

Upon the completion of the equity transfer, the Company will hold 100% equity interest in the Target Company through XLX Intelligent Equipment. The Target Company will become a subsidiary of the Company, and the financial results of the Target Company will be consolidated into the Group's financial statements.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Zhang Qingjin, being executive Directors, collectively hold an aggregate of approximately 15.81% equity interest in XLX Chem and together are the largest shareholders of XLX Chem and have the largest influence through their shareholders' rights on the major decisions of XLX Chem. As with the case at time of the Company's listing on the Stock Exchange, XLX Chem, its subsidiaries and associates were and remain to be deemed as connected persons of the Company under Rule 14A.07 of the Listing Rules.

Accordingly, transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Save and except for Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Zhang Qingjin who had abstained from voting on the Board resolution in relation to the Equity Transfer Agreement, no other Director has any material interest in the Equity Transfer Agreement or is required to abstain from voting at the Board meeting of the Company.

As the highest relevant percentage ratio calculated as per the Listing Rules for the Equity Transfer Agreement is greater than 0.1% but less than 5%, the Equity Transfer Agreement is subject to the reporting and announcement requirements only but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Director(s)
“Company”	China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1866)
“Connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	The agreement entered into between XLX Intelligent Equipment and XLX Chem on 20 February 2023
“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
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	Xinxiang Shenzhou Anti-corrosion Installation Co, Ltd.* (新鄉市神州防腐安裝有限公司), a company incorporated in the PRC and a wholly-owned subsidiary of XLX Chem

“XLX Chem”	Henan Xinlianxin Huagong Group Co., Ltd.* (河南心連心化工集團有限公司), a company incorporated in the PRC deemed to be a connected person of the Company under Rule 14A.07 of Listing Rules
“XLX Intelligent Equipment”	Henan Xinlianxian Intelligent Equipment Technology Co., Ltd* (河南心連心智能裝備科技有限公司), a subsidiary of the Company incorporated in the PRC
“%”	per cent.

By Order of the Board
China XLX Fertiliser Ltd.
Liu Xingxu
Chairman

20 February 2023

As at the date of this announcement, the executive directors of the Company are Mr. Liu Xingxu, Mr. Zhang Qingjin and Ms. Yan Yunhua; the independent non-executive directors of the Company are Mr. Ong Kian Guan, Mr. Li Shengxiao, Mr. Ong Wei Jin and Mr. Li Hongxing.

** for identification purpose only*