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**心连心**

**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)**

## **DISCLOSEABLE TRANSACTION**

### **PROCUREMENT CONTRACT AND SUPPLEMENTAL CONTRACT**

On 16 January 2024, Henan Xinlianxin Shenleng, a subsidiary of the Company, and Hangzhou Oxygen Plant Group, entered into the Procurement Contract and Supplemental Contract, pursuant to which Henan Xinlianxin Shenleng agreed to procure a set of air separation equipment from Hangzhou Oxygen Plant Group at a total consideration of RMB376.5 million.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest applicable percentage ratio in respect of the transaction under the Procurement Contract and Supplemental Contract is higher than 5% but lower than 25%, the transaction constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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The principal terms of the Procurement Contract and Supplemental Contract are summarised as follows:

**Date** : 16 January 2024

- Parties** : Henan Xinlianxin Shenleng (as the purchaser); and Hangzhou Oxygen Plant Group (as the vendor)
- Equipment Purchased** : A complete set of 84,500Nm<sup>3</sup>/h (oxygen) air separation equipment
- Consideration** : The total consideration under the Procurement Contract and Supplemental Contract was RMB376.5 million (including tax), comprising (1) the equipment price of RMB372.7 million (including RMB333.2 million under the Procurement Contract and RMB39.5 million under the Supplemental Contract) and the corresponding tax of RMB38,332,743.36; and (2) the shipping fee of RMB3.8 million and the corresponding tax of RMB313,761.47. In the event of any adjustment to the national tax policy, the total consideration shall be adjusted in accordance with the latest tax rate.
- Basis of Price Determination** : The total consideration under the Procurement Contract and Supplemental Contract was determined through arm's length negotiations between Henan Xinlianxin Shenleng and Hangzhou Oxygen Plant Group with reference to the market prices, transportation costs and relevant taxes of similar equipment on the market. The total consideration under the Procurement Contract and Supplemental Contract will be funded by the Group's internal cash surplus.
- Payment Terms of Equipment Price** : The equipment price under the Procurement Contract (i.e., RMB333.2 million) will be paid by Henan Xinlianxin Shenleng in installments based on stages of completion of the Procurement Contract as follows:
- (1) Henan Xinlianxin Shenleng shall pay RMB16.66 million to Hangzhou Oxygen Plant Group as prepayment under the Procurement Contract in the first month after the Procurement Contract has come into effect;
  - (2) Henan Xinlianxin Shenleng shall pay RMB16.66 million to Hangzhou Oxygen Plant Group in the second month after the Procurement Contract has come into effect;
  - (3) Henan Xinlianxin Shenleng shall pay RMB16.66 million to Hangzhou Oxygen Plant Group in the third month after the Procurement Contract has come into effect;

- (4) Henan Xinlianxin Shenleng shall pay RMB10 million to Hangzhou Oxygen Plant Group before the 25th day of each month from the 4th month to the 11th month after the Procurement Contract has come into effect;
- (5) Henan Xinlianxin Shenleng shall pay RMB12.6 million to Hangzhou Oxygen Plant Group before the 25th day of each month from the 12th month to the 20th month after the Procurement Contract has come into effect;
- (6) Henan Xinlianxin Shenleng shall pay RMB10 million to Hangzhou Oxygen Plant Group before the 25th day of each month from the 21st month to the 23rd month after the Procurement Contract has come into effect;
- (7) Henan Xinlianxin Shenleng shall pay RMB9.84 million to Hangzhou Oxygen Plant Group before the 25th day of the 24th month after the Procurement Contract has come into effect. However, after the arrival of all the equipment parts under the Procurement Contract (excluding pall rings, molecular sieve and alumina, which shall be shipped in time according to Henan Xinlianxin Shenleng's notification), a total of 85% of the equipment price under the Procurement Contract shall have been paid by Henan Xinlianxin Shenleng by such date;
- (8) If the performance of the equipment under the Procurement Contract is verified as qualified, a payment of 5% of the equipment price (i.e., RMB16.66 million) will be made within 20 working days after the signing of the performance acceptance report by Henan Xinlianxin Shenleng;

- (9) The retention sum for the equipment under the Procurement Contract shall be 10% of the equipment price, amounting to RMB33.32 million. The payment, in principle, shall be made 12 months after the completion of the evaluation and acceptance of the equipment during the warranty period (i.e. 12 months from the signing of the performance acceptance report by Henan Xinlianxin Shenleng). However, if the installation, commissioning, or verification of the equipment is hindered because of Henan Shenleng, the warranty period shall not exceed 24 months from the date of the last batch of goods delivery. Hangzhou Oxygen Plant Group shall resolve all outstanding issues during the warranty period, and the retention sum shall be made in one lump sum within 20 working days after the fulfillment of the aforesaid conditions; and
- (10) In the event that Henan Xinlianxin Shenleng fails to make the relevant payment according to the agreed payment date, Henan Xinlianxin Shenleng shall be liable to pay Hangzhou Oxygen Plant Group liquidated damages for the late payment (calculated at a weekly rate of 0.03% of the overdue amount). The liquidated damages shall be calculated from the week following the expiration of the stipulated payment period, and the total amount of liquidated damages shall not exceed 2% of the equipment price under the contract.

The equipment price under the Supplemental Contract (i.e., RMB39.5 million) for components of the set of air separation equipment will be paid by Henan Xinlianxin Shenleng in installments based on stages of completion of the Supplemental Contract as follows:

- (a) 20% of the equipment price under the Supplemental Contract, amounting to RMB7.9 million, is payable as prepayment in the first month after the Supplemental Contract has come into effect;
- (b) 30% of the equipment price under the Supplemental Contract, amounting to RMB11.85 million, is payable upon the delivery of the upper and lower towers of the air separation equipment;
- (c) 35% of the equipment price under the Supplemental Contract, amounting to RMB13.825 million, is payable upon the delivery of the compressor units;

- (d) The amount payable after the performance of the equipment is verified as qualified shall be 5% of the equipment price under the Supplemental Contract, amounting to RMB1.975 million; and
- (e) The retention sum is 10% of the equipment price under the Supplemental Contract, amounting to RMB3.95 million.

The terms of payment of the amount payable after the performance of the equipment is verified as qualified and the retention money are consistent with the relevant conditions set out in the Procurement Contract.

**Terms of Shipping Payment** : The total shipping fee under the Procurement Contract and Supplemental Contract amounted to RMB3.8 million, which is payable by Henan Xinlianxin Shenleng based on the following schedule:

- (1) Henan Xinlianxin Shenleng shall pay RMB0.8 million to the carrier, Hangyang Storage and Transport, one month before the shipment of equipment parts under the Procurement Contract and Supplemental Contract; and
- (2) Within 15 working days after Hangyang Storage and Transport has delivered all equipment parts under the Procurement Contract and Supplemental Contract to the project site and Henan Xinlianxin Shenleng has received the special freight VAT invoice, Henan Xinlianxin Shenleng shall pay the remaining amount, i.e. RMB3 million, to Hangyang Storage and Transport.

**Validity** : The Procurement Contract and Supplementary Contract are effective from 16 January 2024, and shall not exceed 24 months from the date of delivery of the last batch of goods under the contracts.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCUREMENT CONTRACT AND SUPPLEMENTAL CONTRACT**

The Procurement Contract and Supplemental Contract have taken into account (i) the vendor's equipment price and technical advantages, (ii) the foundation of past cooperation between both parties; (iii) the advantages of increasing the Group's supply of raw materials of liquid oxygen, liquid nitrogen and rare gases, and enhancing its market competitiveness. The Procurement Contract and Supplemental Contract will be funded by the Group's internal resources. It is expected that the Procurement Contract and Supplemental Contract will not have any significant impact on the Company's cash flow and operations. Entering into of and procurement of the air separation equipment under the Procurement Contract and Supplemental Contract will further expand the scale of the Group's air separation business and enhance its profitability whilst increasing air separation capacities.

The Board is of the view that the transaction under the Procurement Contract and Supplemental Contract is on normal commercial terms in the ordinary and usual course of business of the Group, and the terms of the Procurement Contract and Supplemental Contract are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ON THE PARTIES**

### **The Group**

The Group is principally engaged in developing, manufacturing and selling related differentiated products such as urea, compound fertiliser, methanol, dimethyl ether, melamine, furfuryl alcohol, furfural, 2-methylfuran, urea solutions for vehicles and medical intermediates. The Group is also one of the largest manufacturers of coal-based urea in the PRC. As at the date of this announcement, the Company indirectly holds approximately 63.1% of the interests in Henan Xinlianxin Shenleng. Henan Xinlianxin Shenleng is principally engaged in the on-site gas supply business and exhaust gas recycling business, as well as the production, sales and logistics of products such as high-purity liquid carbon dioxide, liquid oxygen/nitrogen/argon, carbon monoxide, krypton, xenon and special gases.

### **Hangzhou Oxygen Plant Group**

Hangzhou Oxygen Plant Group, a company incorporated in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002430), is principally engaged in gas, liquid separation and purification equipment, fans and fan-related businesses. As at the date of this announcement, to the best of the Directors' knowledge, having made all reasonable enquiries, Hangzhou Oxygen Plant Group is ultimately beneficially owned as to approximately 53.30% and 5.54% by Hangzhou Oxygen Plant Group Company Limited and China Huarong Asset Management Co., Ltd. respectively. None of the other shareholders of Hangzhou Oxygen Plant Group holds more than 5% equity interests in Hangzhou Oxygen Plant Group. Hangzhou Oxygen Plant Group Company Limited is principally engaged in design, installation, technical consultation, technical services, etc.. China Huarong Asset Management Co., Ltd. is principally engaged in non-performing asset management, financial services, asset management and investment businesses etc..

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hangzhou Oxygen Plant Group and its ultimate beneficial owners are the third parties independent of the Company and the connected persons of the Company.

### **Hangyang Storage and Transport**

Hangyang Storage and Transport, a company registered in the PRC, principally engaged in businesses such as general freight, bulk shipping, cargo agency, warehouse storage and management, and warehouse storage. As at the date of this announcement, to the best the Directors' knowledge, having made all reasonable enquiries, Hangyang Storage and Transport is beneficially owned as to approximately 70.3% and 29.7% by Hangzhou Oxygen Plant Group and Hongsha Construction Co., Ltd.\* (鴻廈建設有限公司) respectively. Hongsha Construction Co., Ltd. is principally engaged in businesses such as engineering and construction work, engineering and construction design, highway management and maintenance, demolition works of buildings, subcontracting of construction labour, and sales of construction materials.

To the best the Directors' knowledge, information and belief, having made all reasonable enquiries, Hangyang Storage and Transport and its ultimate beneficial owners are the third parties of the Company and the connected persons of the Company.

### **IMPLICATIONS UNDER THE LISTING RULES**

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### **DEFINITIONS**

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

“Board”	the board of Directors of the Company
“Company”	China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability whose Shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1866)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries owned from time to time

“Hangzhou Oxygen Plant Group”	Hangzhou Oxygen Plant Group Co., Ltd.
“Hangyang Storage and Transport”	Hangzhou Hangyang Storage and Transport Co., Ltd.
“Henan Xinlianxin Shenleng”	Henan Xinlianxin Shenleng Energy Co., Ltd., a subsidiary of the Company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of China and Taiwan
“RMB”	Renminbi, the lawful currency of China
“Procurement Contract”	A contract entered into between Henan Xinlianxin Shenleng and Hangzhou Oxygen Plant Group on 16 January 2024, pursuant to which Henan Xinlianxin Shenleng shall procure air separation equipment from Hangzhou Oxygen Plant Group
“Supplemental Contract”	A supplemental contract to the Procurement Contract entered into between Henan Xinlianxin Shenleng and Hangzhou Oxygen Plant Group on 16 January 2024, pursuant to which Henan Xinlianxin Shenleng shall procure air separation equipment from Hangzhou Oxygen Plant Group
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percentage

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

Hong Kong, 16 January 2024

*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*