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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)

**MAJOR TRANSACTION
DISPOSAL OF TARGET EQUITY**

DEFINITIVE TRANSACTION DOCUMENTS

Reference is made to the announcement of the Company dated 10 May 2024, in relation to, among other things, the Framework Agreement on disposal of the Target Equity. The Board is pleased to announce that on 28 May 2024, the Parties to the Framework Agreement, Henan XLX and the Target Company entered into the Definitive Transaction Documents to implement the principles and execution arrangements of the Framework Agreement. The transaction structure of the Disposal as per the Framework Agreement and the Definitive Transaction Documents are as follows;

- (1) Xinjiang XLX agreed to sell, and the Purchasers agreed to acquire the Target Equity at the Total Consideration of approximately RMB1,374 million;
- (2) the Target Company agreed to settle its liabilities to Xinjiang XLX;
- (3) Mr. Xie Tongbao and Mr. Yu Xiao agreed to provide guarantees in support of the claims of Xinjiang XLX under the Framework Agreement and Definitive Transaction Documents;
- (4) Purchaser 1 agreed to pledge a 50% equity interests of the Target Company held by Purchaser 1 after Closing in support of Xinjiang XLX's claims under the Framework Agreement and the Definitive Transaction Documents; and
- (5) Lingtong Trade agreed to pledge the Henan XLX Shares to secure the claims of Xinjiang XLX under the Framework Agreement and the Definitive Transaction Documents.

** for identification purpose only*

Upon Closing, the Company will no longer hold any equity interests in the Target Company and the financial results of the Target Company will no longer be consolidated in the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is higher than 25% but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company, and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

An extraordinary general meeting will be convened for the Shareholders to consider and, if thought fit, approve the Disposal. As the Company needs more time to prepare and finalize the information to be included in the circular, a circular containing, among other things, further details of the Disposal, the notice convening the extraordinary general meeting, and other information as required under the Listing Rules, is expected to be dispatched to the Shareholders on or before 28 June 2024.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 10 May 2024, in relation to, among other things, the Framework Agreement on disposal of the Target Equity. The Board is pleased to announce that on 28 May 2024, the Parties to the Framework Agreement, Henan XLX and the Target Company entered into the Definitive Transaction Documents to implement the principles and execution arrangement of the Framework Agreement. The Definitive Transaction Documents do not deviate from the principles and arrangements set forth in the Framework Agreement. Accordingly, the Framework Agreement is not required to be amended, re-stated or re-signed as a result of the execution of the Definitive Transaction Documents. The Framework Agreement and the Definitive Agreement together collectively constitute all the binding legal agreements for the Disposal. The transaction structure of the Disposal as per the Framework Agreement and the Definitive Transaction Documents are as follows:

- (1) Xinjiang XLX agreed to sell, and the Purchasers agreed to acquire the Target Equity at the Total Consideration of approximately RMB1,374 million;
- (2) the Target Company agreed to settle its liabilities to Xinjiang XLX;
- (3) Mr. Xie Tongbao and Mr. Yu Xiao agreed to provide guarantees in support of the claims of Xinjiang XLX under the Framework Agreement and Definitive Transaction Documents;
- (4) Purchaser 1 agreed to pledge a 50% equity interests of the Target Company held by the Purchaser 1 after Closing in support of Xinjiang XLX's claims under the Framework Agreement and the Definitive Transaction Documents; and

- (5) Lingtong Trade agreed to pledge the Henan XLX Shares to secure the claims of Xinjiang XLX under the Framework Agreement and the Definitive Transaction Documents.

II. FRAMEWORK AGREEMENT

Please refer to the Company's announcement dated 10 May 2024.

III. DEFINITIVE TRANSACTION DOCUMENTS

The principal terms of the Definitive Transaction Documents are set out below.

(A) Equity Transfer Agreement

Date

28 May 2024

Parties

- (1) Xinjiang XLX (the Vendor);
- (2) Xinjiang Blackstone (Purchaser 1);
- (3) Anhui Lingtong (Purchaser 2); and
- (4) the Target Company.

Assets to be Disposed of

The 100% equity interest in the Target Company held by Xinjiang XLX.

Total Consideration

The Total Consideration was RMB1,374.0 million, comprising:

- (1) RMB1,167.90 million, representing consideration payable by Purchaser 1 for the acquisition of 85% equity interest in the Target Company; and
- (2) RMB206.1 million, representing consideration payable by Purchaser 2 for the acquisition of 15% equity interest in the Target Company.

Please refer to the announcement issued by the Company on 10 May 2024 for the basis of determination of the Total Consideration.

Terms of Payment

Each of the Purchasers shall pay the consideration payable under the Equity Transfer Agreement in cash. The specific payment terms are set out below:

- (1) Within 10 Business Days following the date of the signing of the Equity Transfer Agreement, the Purchasers shall pay a total of RMB800 million to Xinjiang XLX as the initial payment (the “**Initial Payment**”). After deducting the deposit of RMB50 million (The Company has confirmed the receipt of the RMB50 million deposit), which was paid within 2 Business Days after the signing of the Framework Agreement, the total remaining Initial Payment payable by the Purchasers amounts to RMB750 million, comprising RMB637.5 million payable by Purchaser 1 and RMB112.5 million payable by Purchaser 2.
- (2) If either of the Purchasers delays the payment of the aforesaid amount, it shall be liable for a penalty of 0.05% of the unpaid amount for each day of delay. In the event of either of the Purchasers delays in payment of more than 60 days, Xinjiang XLX shall have the right to unilaterally decide to terminate the Disposal and require the Purchasers to bear the liability for breach of contract and any associated damages.
- (3) The final payment of the Total Consideration amounts to RMB574.0 million (the “**Final Payment**”) (consisting of RMB487.9 million payable by Purchaser 1 and RMB86.1 million payable by Purchaser 2), which will bear interest at an annualised rate of 4% from the date of the signing of the Equity Transfer Agreement. Relative to the payment of the Final Payment, the Purchasers shall pay a minimum principal amount of RMB350 million in total and corresponding interest to Xinjiang XLX within six months from the date of the signing of the Equity Transfer Agreement, comprising the minimum principal amount of RMB297.5 million and corresponding interest payable by Purchaser 1, and the minimum principal amount of RMB52.5 million and corresponding interest payable by Purchaser 2 respectively. Within 12 months following the date of the signing of the Equity Transfer Agreement, the Purchasers shall make the full payment of the Final Payment and the corresponding interest to Xinjiang XLX. In the event of any significant adverse event affecting the Purchasers, Xinjiang XLX may demand early payment of any outstanding balance of the Final Payment.

If either of the Purchasers delays the payment of the aforesaid amount, it shall be liable for a penalty of 0.05% of the unpaid amount for each day of delay. In the event of delay in payment of more than 60 days, (1) Xinjiang XLX shall have the right to unilaterally decide to terminate the Disposal and request the Purchasers to bear the liability for breach of contract and any associated damages, and it shall have the right to reclaim all the Target Equity; (2) the Purchasers shall be liable for a penalty of 15% of the Total Consideration for breach of contract and return the relevant proceeds of the Target Company and clear any new debts the Target Company (if any, excluding debts used in the production and operation of the Target Company that have generated significant value

and are recognised by Xinjiang XLX) incurred after the Valuation Date. The aforesaid penalties and obligations of the Purchasers will be deducted from the amount paid by the Purchasers. If there is any remaining balance after deduction, any balance remaining after the deductions will be refunded to the Purchasers without interest and any shortfalls shall be paid by the Purchasers.

Within 180 days following the date of the signing of the Equity Transfer Agreement, (a) in the event that the water inflow beyond 2,000 meters of the east wing of the Target Company is greater than 150 cubic meters/hour and is declining at more than 100 cubic meters/hour for 30 days, or there is a geological fault of more than 15 meters, the repayment time may be appropriately extended on the basis of the original agreed time (i.e., the time as agreed in the aforesaid payment method (3)), and the length of the extension shall not exceed 6 months in principle; or (b) in the event that the water inflow within 2,000 meters of the east wing of the Target Company is greater than 150 cubic meters/hour and is still declining at more than 100 cubic meters/hour within 30 days, or there is a geological fault of more than 15 meters, the repayment time may be appropriately extended on the basis of the original agreed time, with the extension period not exceeding 12 months in principle. The combined extension period shall not exceed 12 months in principle and the Purchasers are required to pay for the interest accrued during the extension period.

- (4) Before the full payment of the Total Consideration and interest thereon, the Purchasers shall not transfer the equity interests in the Target Company to any other party without the prior written consent of Xinjiang XLX. The equity interests and the assets of the Target Company held by the Purchasers shall be free from and clear of any mortgages, pledges or any other encumbrances whatsoever except for those created to secure the amount payable for the Equity Transfer and any debt owed to Xinjiang XLX. The Target Company shall not provide guarantees or assume any non-operating liabilities to any other entities.
- (5) Upon Closing, the revenue generated by the Target Company shall be applied by the Purchasers in priority to the payment of the relevant amount of the Disposal.

Closing

Xinjiang XLX shall deliver to the Purchasers all the assets of the Target Company as recorded in the books of the Purchasers up to and including the Valuation Date. If there are any inconsistencies between the physical assets as at the Valuation Date and those recorded in the book records, the difference shall either be made up by Xinjiang XLX per the book records, or directly deducted by the Purchasers from any outstanding balance of the Total Consideration.

Xinjiang XLX will cooperate with the Purchasers in completing the registration of the relevant changes in the Target Equity within 60 days from the date of the signing of the Equity Transfer Agreement. The transfer of the Target Equity shall close on the date on which the Target Equity is registered under the Purchasers' name (the "**Closing Date**").

Loss and Profit during the Transition Period

The period from the Valuation Date (excluding that date) to the Closing Date (including that date) is the transition period (the “**Transition Period**”). During the Transition Period, the profits generated by the Target Company, or the net assets increased due to other reasons, as well as the losses incurred by the Target Company, shall be enjoyed or borne by the Purchasers. During the Transition Period, Xinjiang XLX will continue to advance funds to the Target Company during the Transition Period (the “**Transition Liabilities**”) to avoid disruption to the usual operation and development of the Target Company. The Transition Liabilities shall be paid off by the Target Company and guaranteed by the Purchasers on a joint and several basis.

Within 5 days from the Closing Date, Xinjiang XLX and the Purchasers shall jointly confirm the financial statements of the Target Company for the Transition Period and sign a confirmation letter (the “**Confirmation Letter**”) to confirm the profit and loss of the Target Equity during the Transition Period. The Target Company shall settle the Transition Liabilities in cash to Xinjiang XLX within 30 days from the date of the signing the Confirmation Letter.

Settlement of Liabilities

The obligations and debts of the Target Company will continue to be assumed and borne by the Target Company after the Closing Date. However, Xinjiang XLX will bear the repayment obligations for the debts of the Target Company that have not been disclosed to the Purchasers by Xinjiang XLX as of the Valuation Date. The liabilities owed by the Target Company to Xinjiang XLX shall be repaid within 18 months from the date of the signing of the Equity Transfer Agreement in accordance with the terms of the Repayment Agreement.

The Target Company will not initiate termination of the labour relationship with its employees as a result of the Disposal, however, any compensations, indemnities or other relevant expenses incurred due to termination of labor relationship requested by employees shall be payable by Xinjiang XLX. The Purchasers shall have the right to recover from Xinjiang XLX any amount paid by the Purchasers after taking over the operation and management rights of the Target Company as compensation or damages in labor disputes which occurred for reasons attributable to Xinjiang XLX during the period when the Target Company was managed and operated by Xinjiang XLX and Xinjiang XLX shall assume full responsibility.

Effective Conditions

The Equity Transfer Agreement shall become effective on the date on which all of the following conditions have been satisfied:

- (1) Xinjiang XLX, the Purchasers, the Target Company and their respective legal representatives or authorised representatives have affixed their signatures and official seals; and

- (2) the Disposal has been approved by the competent decision-making body of Xinjiang XLX and China XLX.

Conditions Precedent

The conditions precedent for the Closing are set below:

- (1) The Target Equity is clear of any pledges, judicial freeze or any other encumbrances and free from any ownership disputes; and
- (2) The relevant consents and approvals for the Disposal have been obtained, including internal approvals from the Target Company, the Purchasers and the Vendor, and approvals from the Company and the Stock Exchange (if any).

The Company confirms that as at the date of this announcement, there are no pledges, judicial freezes or other rights restrictions on the Target Equity, nor are there any ownership disputes over the Target Equity. In addition, as at the date of this announcement, the condition precedent (2) above has not been fully satisfied.

Relevant Performance Guarantees

- (1) Repayment guarantee provided by Mr. Yu Xiao and Mr. Xie Tongbao

Mr. Yu Xiao and Mr. Xie Tongbao shall bear joint and several liabilities for the timely and full payment of all the amounts under the Equity Transfer Agreement by either of the Purchasers and the repayment obligations of the Target Company to Xinjiang XLX. Details of the relevant terms are set out in the Guarantee Agreement.

- (2) Equity pledge provided by Purchaser 1

On the Closing Date, the Purchasers shall pledge a total of 50% of the equity interests of the Target Company held by them to Xinjiang XLX to guarantee the payment obligations of the Purchasers under the Equity Transfer Agreement and the repayment obligations of the Target Company to Xinjiang XLX. The proportion of equity interests pledged by Purchaser 1 is 50%. Purchaser 2 shall not provide equity pledge. Details of the relevant terms are set out in the Equity Pledge Agreement.

- (3) Share pledge provided by Lingtong Trade

Lingtong Trade shall pledge the Henan XLX Shares (representing approximately 3.36% of the equity interest in Henan XLX) held by it to guarantee the payment obligations of the Purchasers under the Equity Transfer Agreement and the repayment obligations of the Target Company to Xinjiang XLX, and the registration of the pledge shall be completed within 10 Business Days from the date of the signing of the Equity Transfer Agreement. Details of the relevant terms are set out in the Share Pledge Agreement.

(B) Repayment Agreement

Date

28 May 2024

Parties

- (1) Xinjiang XLX;
- (2) the Target Company;
- (3) Xinjiang Blackstone (Guarantor 1); and
- (4) Anhui Lingtong (Guarantor 2).

Indebtedness between the Target Company and Xinjiang XLX

- (1) **Recognised liabilities:** As at the Valuation Date, the balance of the borrowings of the Target Company from Xinjiang XLX amounted to RMB285,147,600 (the “**Recognised Liabilities**”).
- (2) **Transition Liabilities:** Pursuant to the Framework Agreement and the Equity Transfer Agreement, the Target Company shall fully repay the Transition Liabilities to Xinjiang XLX. The specific amount of the Transition Liabilities will be jointly recognised by both parties.
- (3) **Guaranteed liabilities:** The principal amount of borrowings guaranteed by Xinjiang XLX and its related parties in favour of the Target Company amounted to RMB111 million in total (the “**Guaranteed Liabilities**”).

Repayment Arrangements

- (1) The Transition Liabilities, which bear no interest, shall be repaid by the Target Company in cash within 30 days from the date of the signing of the Confirmation Letter.
- (2) Within 18 months from the date of the signing of the Repayment Agreement, the Target Company shall repay the Recognised Liabilities in full to Xinjiang XLX. The outstanding balance of the Recognised Liabilities bear interest at the annualised rate of 4% from the date of the signing of the Repayment Agreement. In the event of any material adverse changes to the Target Company or the Guarantors, Xinjiang XLX may demand an early repayment by the Target Company and the Guarantors of any remaining balance of the Recognized Liabilities and hold the Guarantors liable for performance of guarantee obligations and payment of damages for breaching the agreement.

- (3) Upon Closing, all guarantee obligations securing the Guaranteed Liabilities (including the principal amount and all interest payable, liquidated damages and other obligations within the scope of the original guarantee) will be transferred to the Guarantors. If the guarantee obligations securing the Guaranteed Liabilities cannot be transferred to the Guarantors, the Guarantors shall provide sufficient guarantee measures to ensure that the interests of Xinjiang XLX will not be thereby in any way be jeopardized. Xinjiang XLX shall have the right to recover from the Target Company and the Guarantors, in full, any amount paid by it or any other economic loss whatsoever incurred as a result of assuming the guarantee obligations securing the Guaranteed Liabilities from the date when the loss occurs and the Target Company shall be liable for a penalty of 15% of the Total Consideration for breaching the agreement.
- (4) The Guarantors assume unlimited joint and several guarantee obligations for the due repayment of the Recognised Liabilities, the Transition Liabilities and the Guaranteed Liabilities (if any). Any liabilities due that cannot be repaid by the Target Company in full and timely manner shall be unconditionally repaid by the Guarantors prior to the maturity date.

Guarantee Arrangements

- (1) The Guarantors shall assume unlimited joint and several guarantee obligations for the due repayment of the principal, interest and other payables (if any) associated with the Recognised Liabilities, the Transition Liabilities, the Guaranteed Liabilities as well as any other liabilities (if any) owed by the Target Company to Xinjiang XLX.
- (2) Mr. Yu Xiao and Mr. Xie Tongbao shall assume unlimited joint and several guaranteed obligations for the payment of the principal, interest and all other payables in respect of the Recognised Liabilities, the Transition Liabilities, the Guaranteed Liabilities (if any) as well as other liabilities (if any) of the Target Company to Xinjiang XLX.
- (3) Lingtong Trade shall pledge the Henan XLX Shares to guarantee the due repayment of the principal, interest and all other payables (if any) associated with the Recognised Liabilities, the Transition Liabilities, the Guaranteed Liabilities as well as any other liabilities (if any) owed by the Target Company to Xinjiang XLX.

(C) Guarantee Agreement

Date

28 May 2024

Parties

- (1) Xinjiang XLX;
- (2) Mr. Xie Tongbao;
- (3) Mr. Yu Xiao; and
- (4) the Target Company.

Scope of Guarantee

Mr. Xie Tongbao and Mr. Yu Xiao shall assume unlimited joint and several guarantee obligations in support of Xinjiang XLX's claims under the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement, including but not limited to the following:

- (1) the Total Consideration and the interest accrued thereon;
- (2) the Recognised Liabilities and the interest accrued thereon;
- (3) the Transition Liabilities;
- (4) the Guaranteed Liabilities (totaling RMB111 million as at the date of the signing of the Repayment Agreement) and, if any, the accrued interest paid by Xinjiang XLX for discharging guarantee obligations as well as any associated penalties and economic loss incurred;
- (5) All other payables and liabilities incurred during the performance of the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement, during the Transition Period and after the Closing Date which should be borne by the Target Company, Xinjiang Blackstone and Anhui Lingtong;
- (6) Any amount paid on behalf of or for Target Company, Xinjiang Blackstone and Anhui Lingtong and any loss suffered by Xinjiang XLX, for the purposes of performing the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement; and
- (7) other expenses as agreed in the Guarantee Agreement.

Guarantee Period

The guarantee period shall be two years after the date on which the last payment under the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement is required to be paid in full.

Undertakings

During the guarantee period, Mr. Xie Tongbao and Mr. Yu Xiao shall not exert influence to transfer or impair the equity interests and core assets of the Target Company (i.e., the coal mine held by it) by any means, directly or indirectly, etc., nor shall they mortgage, pledge or otherwise impose any restrictions thereon except for those created to secure the payment of the Total Consideration and any debt owed to Xinjiang XLX.

Before the liabilities under the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement have been fully settled, Mr. Xie Tongbao and Mr. Yu Xiao shall not exert influence to request Xinjiang Blackstone, Anhui Lingtong and the Target Company to exercise the right of recourse and other associated rights arising from the discharge of guarantee obligations by any means, whether directly or indirectly.

The guaranteed obligations under the Guarantee Agreement shall not be assigned to any third party without the written confirmation from Xinjiang XLX.

(D) Share Pledge Agreement

Date

28 May 2024

Parties

- (1) Xinjiang XLX;
- (2) Lingtong Trade; and
- (3) Henan XLX.

Collateral

The collateral under the Share Pledge Agreement is the Henan XLX Shares held by Lingtong Trade and the following derivative interests arising therefrom:

- (1) Equity interests allocated from issue of bonus shares, capitalisation of capital reserves and share split of Henan XLX;
- (2) Dividends and bonuses due from the Henan XLX Shares; and
- (3) Other derivative interests due from the Henan XLX Shares.

Claims secured by the Share Pledge Agreement

Xinjiang XLX's claims secured by the Share Pledge Agreement are the same as those secured by the Guarantee Agreement as set out in the section headed "Guarantee Agreement – Scope of Guarantee".

Release of Collateral

Xinjiang XLX will complete the registration procedures for the release of the collateral within 10 Business Days from the date of receipt of all payments under the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement.

(E) Equity Pledge Agreement

Date

28 May 2024

Parties

- (1) Xinjiang XLX;
- (2) Xinjiang Blackstone; and
- (3) the Target Company.

Collateral

The collateral under the Equity Pledge Agreement is a 50% equity interest of the Target Company held by Xinjiang Blackstone upon Closing (“**Pledged Equity**”) and the following derivative interests arising therefrom:

- (1) Equity interests allocated from issue of bonus shares, capitalisation of capital reserves and share split of Henan XLX;
- (2) Dividends and bonuses due from the Pledged Equity; and
- (3) Other derivative interests due from the Pledged Equity.

Dividends, bonuses and other gains (if any) generated from the Pledged Equity shall be applied to settle Xinjiang XLX's claims secured by the Equity Pledge Agreement.

Claims secured by the Equity Pledge Agreement

Xinjiang XLX's claims secured by the Equity Pledge Agreement are the same as those secured by the Guarantee Agreement as set out in the section headed “Guarantee Agreement – Scope of Guarantee”.

Release of Collateral

Xinjiang XLX will complete the registration procedures for the release of the collateral within 5 Business Days from the date of receipt of all payments under the Framework Agreement, the Equity Transfer Agreement and the Repayment Agreement.

IV. FINANCIAL IMPACT OF THE DISPOSAL AND PROPOSED USE OF PROCEEDS

Upon the Closing of the Target Equity, Anhui Lingtong and Xinjiang Blackstone will hold 15% and 85% of the equity interests of the Target Company, respectively. The Company will no longer hold any equity interests in the Target Company, and the financial results of the Target Company will no longer be consolidated into the Group's financial statements.

Based on the Company's initial assessment of the audited financial information of the Target Company prepared in accordance with PRC Accounting Standards as of 29 February 2024, and the Total Consideration of the Disposal, the Company expects to realize an investment gain of approximately RMB477 million and generate a cash inflow of approximately RMB1,587 million after the Closing. The Disposal will reduce any further sizable capital investment in the Target Company, and effectively improve the Group's asset-liability ratio. This will optimize the Group's debt structure and enhance its overall risk resilience, improving the financial position of the Group. As such, there will be no any adverse impact on the Group's profit and loss statement.

The Group expects to record net proceeds of approximately RMB405 million, which was arrived at by reference to the difference between the Total Consideration of the Disposal of approximately RMB1,374 million and the carrying value of Xinjiang XLX's long-term equity investment in the Target Company of approximately RMB897 million recorded in Xinjiang XLX's accounts, and taxes of approximately RMB72 million that may be incurred on the Disposal. The actual gain or loss expected to accrue to the Group as a result of the Disposal is subject to final review by the Company's auditor.

The Company intends to use the net proceeds from the Disposal in the development of production centers and loan repayments.

V. REASONS FOR AND BENEFITS OF THE DISPOSAL

As disclosed in the announcement of the Company dated 10 May 2024, the Disposal is mainly to optimize the allocation of the Group's resources and adjust the asset structure according to market conditions and corporate strategy in anticipation of optimal coal supply in Xinjiang. The Disposal will be conducive to the Group's recovery of capital, re-allocation of resources and development of the Group's fertilizer and chemical businesses, which are the Group's focus, so as to maximize the utilization of its assets and enhance its operating efficiency. In light of the aforesaid, the Group has decided to dispose of all the equity interests in the Target Company, thereby converting these assets into available resources for the development of other business operations of the Group.

The Directors, including all independent non-executive Directors, consider that the terms and conditions of the Framework Agreement and the Definitive Transaction Documents and the Disposal thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the shareholders as a whole.

VI. INFORMATION ON PARTIES

The Target Company

The Target Company was established in 1995 after the restructuring of a coal mine. The Target Company mainly engages in coal mining and sale of coal and coal-based products.

Unified social credit identifier : 91650000229285227D

Address : Xiaobaiyanggou, Nanshan, Manas County, Changji Prefecture, Xinjiang

Legal representative : Zhao Shouye (趙守業)

Registered capital : RMB794,000,000

Scope of operations : coal mining; sales of coal and coal-based products; labour services (excluding labour dispatch); loading and unloading and transportation; human resources services.

As at the date of this announcement, the Target Company owns the mining rights of an approved coalfield with an area of 3.72 square kilometers and a reserve of approximately 105 million tons, and an production capacity of 900,000 tons/year.

The following table sets out certain audited financial information of the Target Company as at 31 December 2022 and 31 December 2023 and for the years then ended, prepared in accordance with the PRC Accounting Standards:

	As at 31 December 2022 (RMB)	As at 31 December 2023 (RMB)
Operating income	410,913,852.82	108,605,534.69
Operating profit/(loss)	54,283,775.22	(93,186,999.59)
Profit/(loss) before tax	54,264,265.38	(95,599,468.73)
Profit/(loss) after tax	54,264,265.38	(95,599,468.73)
Total assets	1,154,163,352.49	1,232,106,065.70
Net assets	737,698,578.58	642,099,109.85

On the Valuation Date, the carrying amount and appraisal value of total shareholders' equity of the Target Company were approximately RMB620,662,024.45 and RMB1,161,728,000.00 respectively, with an appreciation rate of 87.18%. The significant appreciation is attributable to the appreciated amount of RMB682.0228 million in the appraised value of intangible assets. Along with the improvement of the economy, the price of land and mining rights, as non-renewable resources, has shown an overall upward trend.

Xinjiang XLX and Henan XLX

As at the date of this announcement, the Company holds a 78.57% equity interest in Henan XLX which in return holds a 100% equity interest in Xinjiang XLX. Henan XLX, Xinjiang XLX and the Group are principally engaged in the manufacturing, sales and trading of urea, compound fertiliser, methanol, liquid ammonia and melamine. The Group is also one of the large-scale and most cost-efficient coal-based urea producers in the PRC.

Anhui Lingtong, Lingtong Trade and Mr. Xie Tongbao

Anhui Lingtong is a limited liability company established in the PRC in 2014 and is principally engaged in industrial investment management services, pre-packaged food retail and other businesses. Its de facto controller is Mr. Xie Tongbao.

Lingtong Trade is a modern trade and logistics enterprise established in the PRC in 2000 and is principally engaged in the operation and transportation of coal and dangerous goods. Anhui Lingtong and Mr. Xie Tongbao hold approximately 70% and 30% of the equity interests in Lingtong Trade respectively.

Xinjiang Blackstone and Mr. Yu Xiao

Xinjiang Blackstone is a limited liability company established in the PRC in 2019 and is principally engaged in the sales services of coal and mineral products. Its de facto controller is Mr. Yu Xiao.

Anhui Lingtong, Lingtong Trade, Mr. Xie Tongbao, Xinjiang Blackstone and Mr. Yu Xiao are all third parties independent of the Company and its connected persons.

VII. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal is higher than 25% but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company, and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

An extraordinary general meeting will be convened for the Shareholders to consider and, if thought fit, approve the Disposal. As the Company needs more time to prepare and finalize the information to be included in the circular, a circular containing, among other things, further details of the Disposal, the notice convening the extraordinary general meeting, and other information as required under the Listing Rules, is expected to be dispatched to the Shareholders on or before 28 June 2024.

VIII. DEFINITIONS

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

“Anhui Lingtong” or “Guarantor 2”	Anhui Lingtong Group Holding Co., Ltd.* (安徽靈通集團控股有限公司)
“Board”	the board of Director(s) of the Company
“Business Day(s)”	a day on which banks in China are open for general commercial business, other than a Saturday, Sunday or public holiday in the PRC

“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
“Closing”	completion of the Disposal
“Closing Date”	the date on which Xinjiang XLX registers the Target Equity in the name of the Purchasers
“Definitive Transaction Documents”	referred to as a series of transaction documents dated 28 May 2024 entered into between the Parties to the Framework Agreement, Henan XLX and the Target Company in relation to the Disposal, including the Equity Transfer Agreement, the Repayment Agreement, the Guarantee Agreement, the Share Pledge Agreement and the Equity Pledge Agreement, details of which are set out in the section headed “Definitive Transaction Documents” of this announcement
“Director(s)”	the director(s) of the Company
“Disposal” or “Equity Transfer”	a transaction in which the Vendor sells the Target Equity to the Purchasers
“Equity Pledge Agreement”	the equity pledge agreement entered into among Xinjiang XLX, Xinjiang Blackstone and the Target Company on 28 May 2024, details of which are set out in the section headed “Definitive Transaction Documents” – “Equity Pledge Agreement” of this announcement
“Equity Transfer Agreement”	the equity transfer agreement entered into among Xinjiang XLX, Anhui Lingtong, Xinjiang Blackstone and the Target Company on 28 May 2024, details of which are set out in the section headed “Definitive Transaction Documents” – “Equity Transfer Agreement” of this announcement
“Framework Agreement”	the equity transfer framework agreement entered into by the Parties to the Framework Agreement on 10 May 2024, details of which are set out in the announcement of the Company dated 10 May 2024
“Group”	the Company and its subsidiaries from time to time

“Guarantee Agreement”	the guarantee agreement entered into among Xinjiang XLX, Mr. Xie Tongbao, Mr. Yu Xiao and the Target Company on 28 May 2024, details of which are set out in the section headed “Definitive Transaction Documents” – “Guarantee Agreement” of this announcement
“Guarantors”	referred to as Guarantor 1 and Guarantor 2 under the Repayment Agreement
“Henan XLX”	Henan Xinlianxin Chemicals Group Co., Ltd.* (河南心連心化學工業集團股份有限公司), a subsidiary of the Company
“Henan XLX Shares”	65,400,000 shares in Henan XLX held by Lingtong Trade as the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Lingtong Trade”	Tongling Lingtong Trade Co., Ltd.* (銅陵市靈通貿易有限責任公司)
“Parties to the Framework Agreement”	the parties to the Framework Agreement, including Xinjiang XLX, Anhui Lingtong, Xinjiang Blackstone, Mr. Xie Tongbao, Mr. Yu Xiao and Lingtong Trade
“percentage ratio(s)”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China, which solely for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchasers”	referred to as Anhui Lingtong and Xinjiang Blackstone
“Repayment Agreement”	the repayment agreement entered into among Xinjiang XLX, Anhui Lingtong, Xinjiang Blackstone and the Target Company on 28 May 2024, details of which are set out in the section headed “Definitive Transaction Documents” – “Repayment Agreement” of this announcement
“RMB”	Renminbi, the lawful currency of the PRC

“Share Pledge Agreement”	the share pledge agreement entered into among Xinjiang XLX, Lingtong Trade and Henan XLX on 28 May 2024, details of which are set out in the section headed “Definitive Transaction Documents” – “Share Pledge Agreement” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Manas Tianxin Coal CO., LTD* (瑪納斯縣天欣煤業有限公司)
“Target Equity”	the 100% of the equity interests of the Target Company held by Xinjiang XLX as at the date of this announcement
“Total Consideration”	the total consideration payable by the Purchasers to Xinjiang XLX for acquiring the Target Equity pursuant to the Equity Transfer Agreement
“Valuation Date”	29 February 2024
“Xinjiang Blackstone” or “Guarantor 1”	Xinjiang Blackstone Energy Co., Ltd.* (新疆黑石能源有限公司)
“Xinjiang XLX” or “Vendor”	Xinjiang XLX Energy Chemicals Co., Ltd.* (新疆心連心能源化工有限公司)
“%”	per cent

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

Hong Kong, 28 May 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; and 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*