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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN MANAS TIANXIN COAL CO., LTD.*

THE SALE AND PURCHASE AGREEMENT

On 10 February 2015, Xinjiang XLX and the Vendor entered into the Sale and Purchase Agreement in relation to the purchase by Xinjiang XLX of 100% equity interest in the Target Company for a Consideration of RMB94,440,000 (equivalent to approximately HK\$117,105,600) to be paid in cash.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 5% but less than 25%, the transactions contemplated under the Sale and Purchase Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

On 10 February 2015, Xinjiang XLX and the Vendor entered into the Sale and Purchase Agreement in relation to the purchase by Xinjiang XLX of 100% equity interest in the Target Company. Details of the Sale and Purchase Agreement are set out below.

Date : 10 February 2015

Parties : (i) Xinjiang XLX, an indirect wholly-owned subsidiary of the Company, as the purchaser; and
(ii) 劉建國, an individual, as the vendor.

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Acquisition of equity interest

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and Xinjiang XLX has agreed to purchase 100% equity interest in the Target Company.

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Group and the Group will be responsible for the operations, outgoings and liabilities of the Target Company.

Consideration

The Consideration was arrived at after arm's length negotiations on normal commercial terms by reference to the total assets of the Target Company, the registered capital of the Target Company and the Group's internal financial analysis of the financial and operational model regarding the Target Company.

Under the Sale and Purchase Agreement, Xinjiang XLX will make an aggregate cash payment of RMB94,440,000 (equivalent to approximately HK\$117,105,600). Such amount will be paid and applied as follows:–

- (a) an initial payment of RMB37,210,000 shall be made to the Vendor within five business days from the date of the Sale and Purchase Agreement as a partial payment of the Consideration for 100% of the equity interest in the Target Company; and
- (b) the remaining payment of RMB57,230,000 shall be made to the Vendor within six months after the completion of the registration of the change of equity ownership of the Target Company with the local State Administration for Industry and Commerce of the PRC which shall be carried out within five business days after the initial payment above.

The Consideration will be funded by the Group's internal financial resources. The Company intends to make a further capital contribution of around RMB50,450,000 (equivalent to approximately HK\$62,558,000) into the registered capital of the Target Company to support the operations and obligations (including the repayment of indebtedness or other liabilities) of the Target Company as and when required or otherwise as the Directors consider appropriate with regard to the market conditions.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated under the laws of PRC and is currently wholly-owned by the Vendor. As at the date of this announcement, the Target Company is primarily engaged in the mining and sale of coal in Xinjiang province, PRC.

Set out below is a summary of the key financial data of the Target Company based on the management accounts prepared by the Target Company:

	For the year ended 31 December 2013	For the year ended 31 December 2014
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Net assets	38,612,678	30,327,105
Net profit (loss) before tax	(371,502)	(2,976,925)
Net profit (loss) after tax and extraordinary items	(371,502)	(2,976,925)

Based on the valuation report dated 5 December 2014, the net asset value of the Target Company (taking into account the coal mining rights held by the Target Company valued at approximately RMB65,030,000) amounted to approximately RMB94,442,000 as at 30 September 2014. The valuation report was conducted by 河南天誠資產評估事務所有限公司. The net asset value of RMB30,327,105 shown in the above management accounts of the Target Company did not reflect the current market value of the coal mining rights held by the Target Company.

INFORMATION ON THE COMPANY AND XINJIANG XLX

The Group is principally engaged in the manufacturing, sales and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution. The Group is also one of the largest coal-based urea producers in the PRC. Xinjiang XLX is a wholly-owned subsidiary of Henan Xinlianxin Fertiliser Co., Ltd. (河南心連心化肥有限公司), which is a wholly-owned subsidiary of the Company, and is principally engaged in the manufacturing, sales and trading of urea, compound fertiliser, melamine, liquid ammonia and ammonia solution in Xinjiang province, PRC.

REASONS FOR THE ACQUISITION

As coal accounts for approximately 65 to 70% of the Group's urea production cost and is one of the Group's main raw materials, the Directors believe that the Proposed Acquisition is an opportunity for the Group to exploit coal resources in Xinjiang through vertical integration and will also enable the Group to secure a stable supply of coal for its production process and reduce the effects of any volatility in coal prices against the production costs of the Group.

The Directors consider that the terms and conditions of the transactions contemplated in the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Sale and Purchase Agreement are more than 5% but less than 25%, the transactions contemplated under the Sale and Purchase Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements but are exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Company”	China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability;
“Consideration”	the total consideration of RMB94,440,000 payable by Xinjiang XLX under the Sale and Purchase Agreement;
“Directors”	directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Proposed Acquisition”	the proposed acquisition of 100% equity interest in the Target Company by Xinjiang XLX from the Vendor;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 February 2015 entered into between Xinjiang XLX and the Vendor in relation to the sale and purchase of all the equity interest in the Target Company;
“Shareholders”	holders of the ordinary shares in the share capital of the Company;
“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), a company established in the PRC with limited liability, which is owned as to 100% by the Vendor;
“Vendor”	劉建國;

“Xinjiang XLX”

Xinjiang Xinlianxin Energy Chemical Co., Ltd. (新疆心連心能源化工有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;

“%”

per cent.

For illustration purposes only, the exchange rate of RMB1 = HK\$1.24 has been adopted for translating RMB into HK\$ in this announcement. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

By Order of the Board
China XLX Fertiliser Ltd.
Yan Yunhua

Executive Director and Chief Financial Officer

10 February 2015

As at the date of this announcement, the executive Directors are Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen; the independent non-executive Directors are Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin; and the non-executive Director is Mr. Lian Jie.

* *for identification purpose only*