

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

(Singapore Stock Code: B9R)

**PROPOSED ISSUE OF RMB DENOMINATED CONVERTIBLE
BONDS CONVERTIBLE INTO
ORDINARY SHARES OF CHINA XLX FERTILISER LTD.**

The Board hereby announces that on 27 November 2011, the Company entered into the Subscription Agreement with Nitro Capital Limited, pursuant to which Nitro agreed to subscribe and pay for the Bonds to be issued by the Company amounting to an aggregate principal amount of approximately RMB324 million (equivalent to approximately US\$51 million calculated at the US\$ Exchange Rate and approximately HK\$397 million⁽¹⁾).

The price at which Conversion Shares will be issued upon conversion will initially be approximately RMB1.84 (equivalent to approximately HK\$2.25⁽¹⁾) per Conversion Share, representing a premium of 13% over the weighted average of the Volume Weighted Average Price of the Shares traded on the Stock Exchange and the Volume Weighted Average Price of the Shares traded on the SGX for the 20 Trading Days prior to the date of this announcement and translated into RMB using the HKD Exchange Rate and the SGD Exchange Rate, subject to adjustment in the manner provided in the terms and conditions of the Bonds.

Assuming full conversion of the Bonds at the initial conversion price of approximately RMB1.84 per Share, the Bonds will be convertible into 176,000,000 Shares (subject to adjustment), representing approximately 17.60% of the issued share capital of the Company as at the date of this announcement and approximately 14.97% of the enlarged issued share capital of the Company.

The estimated net proceeds of the Bonds Issue, after deduction of professional fees and administrative expenses, are approximately RMB322 million (equivalent to approximately HK\$393 million). The Company intends to use the net proceeds for the Plant 4 Expansion, Xinjiang Expansion and general working capital.

As the Bonds Issue is arranged by DBS Bank Ltd, a financial sector incentive (bond market) company as defined in the Income Tax Act, Chapter 134 of Singapore (the "ITA"), the Bonds would be "qualifying debt securities" for the purposes of the ITA.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent set out therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraph headed “SUBSCRIPTION AGREEMENT” below for further information.

As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The Bonds Issue shall not be subject to any shareholders’ approval. The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 26 April 2011. To date, there has been no issue of Shares under the general mandate granted. The Company will apply to the SGX and Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

SUBSCRIPTION AGREEMENT

Date: 27 November 2011

Parties: The Company
Nitro

Subject to the fulfilment of the conditions set out below under the section headed “Conditions Precedent of the Subscription Agreement”, Nitro has agreed to subscribe and pay for the Bonds to be issued by the Company on the Completion Date amounting to an aggregate principal amount of approximately RMB324 million (equivalent to approximately US\$51 million calculated at the US\$ Exchange Rate and approximately HK\$397 million⁽¹⁾). The Bonds will mature on the fifth anniversary of the issue of the Bonds.

To the best of the Directors’ knowledge, Nitro and its ultimate beneficial owners are Independent Third Parties and are not connected persons of the Company. Nitro is a wholly-owned subsidiary of Primavera Capital (Cayman) Fund I L.P. which is a partnership incorporated in the Cayman Islands and is a China-based private investment firm which focuses on buy-out, control-oriented, and growth capital investments.

Undertakings by Company

The Company has, among other things, undertaken to Nitro that:

1. for a period from the date of the Subscription Agreement up to and including the Completion Date:
 - (i) it shall not solicit, negotiate or finalize any arrangements with any third party in connection with (a) the Bonds issue, (b) any acquisition or purchase of all or part of the assets of any Group Company or (c) any other material transaction incompatible with the Bonds issue;
 - (ii) it shall not proceed with certain types of transactions save for those in the ordinary course of business or in relation to the Plant 4 Expansion and Xinjiang Expansion.

2. for a period from the date of the Subscription Agreement to 90 days after the Completion Date:
 - (i) neither the Company nor any Group Company over which it exercises management or voting control, nor any person acting on its or their behalf will, without the prior written consent of Nitro, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal), any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares (whether or not such contract is to be settled by delivery of Shares or such other securities, in cash or otherwise) save for any Shares issued pursuant to the conversion provisions of the Bonds;
 - (ii) it shall not undertake any capital reduction, bonus issue, stock split or do such other acts in relation to its share capital or reserve, create, allot, issue, acquire, repay or redeem any shares or other securities, or grant any options over shares or securities or issue any warrants, convertible preference shares or other forms of convertible securities (howsoever called) which are convertible into Shares in the Company or enter into any agreement or undertaking to do the same or do, or agree or permit to, or cause to be done, such acts which will dilute the interest of Nitro in the Company or vary the rights attaching to any of the Conversion Shares, save for any Shares issued pursuant to the conversion provisions of the Bonds and save as where the total sum of such capital reduction, repurchases of its ordinary shares and/or redemption of shares or other securities, aggregated with the total dividends declared to shareholders of the Company in the same financial year, is less than 40% of the audited net income of the Company in the relevant financial year;
3. for a period from the date of the Subscription Agreement until such date as Nitro ceases to hold any Bonds, it will seek the approval of Nitro on actions of the Company that Nitro reasonably believes may have a material adverse impact on the rights of Nitro as a holder of the Bonds;
4. it shall, notwithstanding the conversion of any or all of the Bonds into Conversion Shares and/or the expiry of the Maturity Date, not declare any dividends to its Shareholders, make any capital reductions and/or redemption of shares, or voluntarily redeem any other securities or indebtedness so long as there is any outstanding payment of the Cash Pay Rate, Deferment Interest Rate, outstanding payment under Step Up Occurrence, Step Up Event, Step Up Action and/or other outstanding accrued payments.

Undertaking by Liu Xingxu and Yan Yunhua

Pursuant to Rule 704(13) of the Singapore Listing Manual and Rule 13.18 of the Listing Rules, the Company would also like to highlight that in connection with the Bonds Issue, Liu Xingxu and Yan Yunhua will provide an undertaking at completion to undertake jointly and severally, among other things, that they shall not, and shall procure that Pioneer Top and Go Power shall not, without the prior written consent of Nitro:

- (a) create or effect any mortgage, charge, pledge, lien or other security interest or create any encumbrance or any other arrangement having similar effect over the Shares or any other shares of the Company which they together own or control; and

- (b) transfer, sell or dispose of all or any of their legal or beneficial interest in any Share or any other share of the Company which they together own or control (as sub-divided, consolidated, re-classified or re-constructed, if applicable) where the entire legal and beneficial interest in, and voting control over, such Share or other share of the Company (as sub-divided, consolidated, re-classified or re-constructed, if applicable) is not also at the same time disposed of to such person,

provided that such disposition shall not exceed in total 25% of the combined shareholdings of Go Power and Pioneer Top, excluding any Shares granted by Go Power and Pioneer Top that are used for top-up placing. The undertaking will terminate on the date falling 5 years from the date of the undertaking or on the date on which Nitro and/or any of its wholly owned subsidiary hold less than 50% of the initial principal amount of the Bonds, whichever is earlier.

Subject to the confirmation from the Stock Exchange that the requirements under Chapter 14A of the Listing Rules shall not apply to the Bond Issue as a result of the following undertaking, Liu Xingxu and Yan Yunhua will also undertake to vote and procure Pioneer Top and Go Power to vote all the Shares he/she/it holds in favour of the appointment or the re-election of the Director nominated by Nitro.

Nitro Lockups and Right of First Refusal

1. The following shall apply to the Conversion Shares issued to Nitro:
 - (a) Nitro shall not, without the prior consent of the Company, for a period of six (6) months commencing from the date of issue of any Conversion Share transfer or dispose of such Conversion Share; and
 - (b) after the expiry of the above-mentioned six (6) month lockup period:
 - (i) Nitro shall not, without the prior consent of the Company, transfer or dispose of any of the Conversion Shares held by it to a competitor of the Company's business in privately negotiated sale;
 - (ii) Nitro shall be permitted to transfer or dispose of all of the Conversion Shares held by it in a privately negotiated sale to an unaffiliated third party, and in such event, the Company will use commercially reasonable efforts to have the new investor undertake not to transfer or dispose of such Conversion Shares for a period of six (6) months from the date of such transfer or disposal; and
 - (iii) Nitro shall be permitted to sell all of the Conversion Shares held by it in the open market or, subject to the terms of the Subscription Agreement, through a book-build offering. In the event Nitro proposes to sell Conversion Shares through a book-build offering, the Company shall use commercially reasonable efforts to accommodate and support the offering process as is typically required.

2. The Company shall only issue convertible securities ranking *pari passu* with, or in priority to, the Bonds as the Directors may determine provided that (i) the relevant approvals have been obtained for such issue of such convertible securities (including the approval by a majority of holders of the outstanding Bonds) and (ii) so long as Nitro is the holder of Bonds representing 50% or more of the initial principal amount of the Bonds, the Company shall first offer to Nitro such convertible securities for subscription.

Indemnification

The Company has undertaken that it will hold Nitro fully and effectually indemnified from and against any losses, liabilities, claims, charges, damages, or liabilities which Nitro may become subject insofar as such losses, claims, charges, damages or liabilities (or actions in respect thereof) are a result of or arise out of any misrepresentation or any breach of any representations, warranties or undertakings of or by the Company contained in the Subscription Agreement, other than any losses, claims, damages or liabilities that result directly from Nitro's breach of its obligations under the Subscription Agreement in the event that such breach of Nitro gives rise to damages amounting to more than US\$100,000. This indemnity shall survive completion or termination of the Subscription Agreement.

Conditions Precedent of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon, amongst other things:

- (i) the execution and delivery of the undertaking by Liu Xingxu and Yan Yunhua (referred to in the section headed "Undertaking by Liu Xingxu and Yan Yunhua") to Nitro and there being no breach or default of such undertaking;
- (ii) Nitro having completed due diligence investigations on the Group and being satisfied with the results thereof;
- (iii) approval of the SGX and Stock Exchange having been obtained to list the Conversion Shares on the mainboards of the SGX and Stock Exchange;
- (iv) Nitro having received legal opinions from the Company's Singapore and Hong Kong legal advisers.
- (v) the Company having received a waiver of Rule 803 of the listing manual of the SGX; and
- (vi) confirmation from the Stock Exchange that the Stock Exchange will not regard Nitro as an associate (as defined in Chapter 14A of the Listing Rules) of the controlling shareholders of the Company notwithstanding the undertaking by Liu Xingxu and Yan Yunhua in favour of Nitro to vote for the appointment or re-election of a Director nominated by Nitro.

In the event that the conditions are not fulfilled or waived on or before 31 January 2012 in accordance with the terms of the Subscription Agreement, the Subscription Agreement shall, save for certain clauses (including, among others, those in relation to indemnification, confidentiality, and governing law), ipso facto cease and determine and no party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a party against the other arising from an antecedent breach of the terms of the Subscription Agreement.

Termination and Related Provisions as to Costs

If there shall develop, occur or come into effect any of the following events, since the date of the Subscription Agreement and prior to the Completion Date and which failure continues for a period of five (5) Business Days, Nitro may at any time prior to the Completion Date terminate the Subscription Agreement by notice in writing to the Company:

- (i) if there shall have come to the notice of Nitro any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the Company to perform any of its undertakings or agreements in the Subscription Agreement;
- (ii) if any of the conditions specified in the Subscription Agreement has not been satisfied or waived by the Investor by 31 January 2012;
- (iii) if there shall have occurred any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls;
- (iv) if there shall have occurred a general moratorium on commercial banking activities in Singapore or Hong Kong by any Singapore or Hong Kong authorities;
- (v) if there shall have occurred an outbreak or escalation of hostilities or act of terrorism;
- (vi) if on or after the date of the Subscription Agreement, there shall have occurred either of the following:
 - (a) there is a suspension or material limitation of trading in securities generally on the SGX and/or the Stock Exchange; or
 - (b) there is a suspension in the trading of the Shares by the SGX and/or the Stock Exchange for more than three (3) Trading Days (other than a trading halt/suspension on a temporary basis at the request of the Company) or a delisting of the issued Shares from the mainboard of the SGX and/or the Stock Exchange.

The Company bears its own costs and expenses relating to, among other things, the Bonds Issue and the Subscription Agreement. If the Subscription Agreement proceeds to completion, the Company will bear up to US\$200,000 of the legal and accounting costs incurred by Nitro. If the Subscription Agreement does not proceed to completion, the Company will also bear the lower of US\$100,000 and 50% of the legal and accounting costs incurred by Nitro.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised as follows:

Principal Amount

The aggregate principal amount of the Bonds of approximately RMB324 million (equivalent to approximately US\$51 million calculated at the US\$ Exchange Rate and approximately HK\$397 million⁽¹⁾).

Issue Price

100% of the principal amount of the Bonds.

Interest

The Bonds shall bear interest from (and including) Closing Date at the rate of 4.5 per cent. (4.5%) per annum, payable in cash annually in arrears, on the anniversary of the Closing Date in each year, commencing on the first anniversary of the Closing Date. The Company shall have the right to defer the payment of the interest. In the event the Company exercises the right to defer the payment of the interest, the applicable Cash Pay Rate at the relevant time shall be increased by 2.0% per annum.

Step Ups of Cash Pay Rate

- (i) Upon the occurrence of a Step Up Occurrence, the Cash Pay Rate of 4.5% per annum will be increased by an additional annual simple rate of 16.0%, to a total of (i) 20.5% per annum, or (ii) in the event the Company has exercised its right to defer the payment of the interest, 22.5% per annum, being the aggregate of 4.5% per annum, 16.0% per annum and 2.0% per annum (being the Deferment Interest Rate). The Step Up Occurrence Cash Payment shall only be payable in cash, and shall not be aggregated with the principal amount of the Bonds for the purposes of conversion of the Bonds.
- (ii) Upon the occurrence of a Step Up Event, the Cash Pay Rate of 4.5% per annum will be increased by an additional annual simple rate of 8.0%, to a total of (i) 12.5% per annum, or (ii) in the event the Company has exercised its right to defer the payment of the interest, 14.5% per annum, being the aggregate of 4.5% per annum, 8.0% per annum and 2.0% per annum (being the Deferment Interest Rate). The Step Up Event Cash Payment shall only be payable in cash, and shall not be aggregated with the principal amount of the Bonds for the purposes of conversion of the Bonds.
- (iii) Upon the occurrence of a Step Up Action, the Cash Pay Rate of 4.5% per annum will be increased by an additional annual simple rate of 4.5%, to a total of (i) 9.0% per annum, or (ii) in the event the Company has exercised its right to defer the payment of the interest, 11.0% per annum, being the aggregate of 4.5% per annum, 4.5% per annum and 2.0% per annum (being the Deferment Interest Rate). The Step Up Action Cash Payment shall only be payable in cash, and shall not be aggregated with the principal amount of the Bonds for the purposes of conversion of the Bonds. If there occurs a Step Up Action, the Company will make an announcement at the relevant time.

Conversion Period

Bondholders have the right to convert their Bonds into Conversion Shares at any time on or after the Closing Date:

- (i) up to the close of business on the fifth Business Day before the Maturity Date, (both days inclusive) unless previously redeemed or purchased and cancelled as provided in the terms and conditions of the Bonds;
- (ii) if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business on a date no later than ten (10) days prior to the date fixed for redemption thereof;

- (iii) if such Bonds shall have been called for mandatory conversion, then up to the close of business on the deemed Conversion Date for mandatory conversion pursuant to the terms and conditions of the Bonds;
- (iv) if notice requiring redemption has been given by the Bondholder of such Bonds, then up to the close of business on the day prior to the giving of such notice.

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the Conversion Date.

No fractional Shares will be issued as a result of the conversion of the Bonds and no cash adjustments will be made in respect thereof.

Conversion Price

The Bonds will be convertible into Shares at an initial Conversion Price of approximately RMB1.84 (equivalent to approximately HK\$2.25⁽¹⁾) per Share (subject to adjustments) which represents (a) a premium of approximately 6.34% over the closing price of the Shares at the end of the trading session on the Stock Exchange on 25 November 2011, being the last trading day, before the date of this announcement, of HK\$2.12 and (b) a premium of approximately 6.60% over the average closing price of the Shares for the last 20 consecutive trading days up to and including 25 November 2011 of approximately HK\$2.12.

The initial Conversion Price is determined by the parties after arms' length negotiations with reference to the recent share price and future prospects of the Group, and represents a premium of 13% over the weighted average of the Volume Weighted Average Price of the Shares traded on the Stock Exchange and the Volume Weighted Average Price of the Shares traded on the SGX for the 20 Trading Days prior to the date of this announcement and translated into RMB using the HKD Exchange Rate and the SGD Exchange Rate, subject to adjustment or reset (as the case may be) in the manner provided in the terms and conditions of the Bonds.

The Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, rights issues, capital distributions and other dilutive events of similar nature.

Ranking of Conversion Shares

The Conversion Shares issued upon conversion of the Bonds will be fully paid and in all respects rank *pari passu* with the Shares in issue on the date on which the relevant number of Conversion Shares issuable upon conversion are credited into such securities account.

Transfer

The Bonds are transferable with prior written consent of the Company.

Mandatory Conversion

After the third anniversary of the Completion Date, the Company shall be entitled to request that the holders of the Bonds mandatorily convert (all but not some only) of the Bonds into Conversion Shares in the event that the Company's ordinary shares are traded on one or both of the Stock Exchange and SGX at a Volume Weighted Average Price over a period of 180 trading days at 100% above the VWAP Price.

Unless previously redeemed, purchased and cancelled or converted, all and not some only of the Bonds outstanding shall be converted into Conversion Shares on the Maturity Date.

Redemption at the Option of the Bondholder

Upon the occurrence of a Winding-up, the Bondholder will have the right to require the Company to redeem all (and not some only) of the Bonds outstanding at a redemption price which shall be equivalent to the aggregate of the outstanding principal amount of the Bonds together with a redemption premium of 8.0% per annum on such outstanding principal amount, up to the date fixed for redemption.

Redemption at the Option of the Company

Upon the occurrence of a Step Up Occurrence, a Step Up Event or a Step Up Action, the Company will have the right to redeem all (and not some only) of the Bonds outstanding at such time at a redemption price which shall be equivalent to the aggregate of the outstanding principal amount of the Bonds together with the interest payable at the applicable Cash Pay Rate and the Deferral Interest Rate (if any) and the Step Up Occurrence Cash Payment, the Step Up Event Cash Payment or the Step Up Action Cash Payment (as the case may be), on the outstanding principal amount, up to the date fixed for redemption.

Form of the Bonds and Denomination

The Bonds will be in registered form and in denominations of an amount in approximately RMB6.49 million (equivalent to approximately US\$1.02 million calculated at the US\$ Exchange Rate).

Ranking of the Bonds

The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu*, and rateably without any preference or priority among themselves.

Voting Rights

Approval has to be sought from the holders of a majority in principal amount of the outstanding Bonds in respect of, amongst others, the following matters:

- (i) amendment to the constitutive documents of the Company that would have or would reasonably have an adverse effect on the rights attaching to the Bonds;
- (ii) the undertaking of any acts in relation to its share capital which will dilute the interest of the Bondholders in the Company or vary the rights attaching to the Bonds or the Conversion Shares; and

- (ii) any action of the Company which would reasonably likely to result in having a material adverse effect on any company of the Group or the rights of the holders of the Bondholders.

Listing

The Company will apply to the SGX and Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Notices

Communications under the Subscription Agreement shall be made by facsimile or otherwise in writing to the parties below:

Company

Fax Number : +65 6538 0206
Address : 333 North Bridge Road,
#08-00 KH KEA Building,
Singapore
188721
Attention : Jeremy Cheah

Nitro

Fax Number : +852 3767 5001
Address : Suite 5801, 58/F, Two IFC
8 Finance Street
Central, Hong Kong SAR
Attention : Jie Lian
Lawrence Wang

EQUITY FUND RAISING ACTIVITY BY THE COMPANY IN THE LAST 12 MONTHS

The Company has not raised any funds by means of equity in the past twelve months.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF CONVERSION

Based on the initial conversion price of approximately RMB1.84 (equivalent to approximately HK\$2.25⁽¹⁾) (the Conversion Price will be subject to adjustment for, among other things, subdivision or consolidation of Shares, rights issues, capital distributions and other dilutive events of similar nature) and assuming full conversion of the Bonds, the Bonds will be convertible into approximately 176,000,000 Shares, representing approximately 17.60% of the issued share capital of the Company as at the date of this announcement and approximately 14.97% of the enlarged issued share capital of the Company.

The following table summarises the effects on the shareholding structure of the Company as a result of the Bonds Issue:

Shareholders	Existing shareholding and prior to conversion of Bonds as at the date of this announcement		After full conversion of the Bonds at the initial Conversion Price	
	No. of Shares held	% of the issued share capital of the Company	No. of Shares held	% of the issued share capital of the Company
Pioneer Top (note (a))	343,376,000	34.34	343,376,000	29.20
Go Power (note (b))	297,734,000	29.77	297,734,000	25.32
Liu Xingxu	600,000	0.06	600,000	0.05
Yan Yunhua	300,000	0.03	300,000	0.03
Public shareholders	357,990,000	35.80	357,990,000	30.44
Nitro	0	0	176,000,000	14.97
Total	1,000,000,000	100.00	1,176,000,000	100.00

Notes:

- (a) Pioneer Top is an investment holding company established in the British Virgin Islands (the “BVI”). Mr. Liu Xingxu beneficially owns approximately 42% of the equity interest in Pioneer Top, and holds the remaining 58% of the equity interest in Pioneer Top in trust for seven beneficiaries, including approximately 16% for Mr. Li Buwen, the Company’s executive director, and approximately 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao, 7% for Mr. Wang Nairen and 7% for Mr. Zhang Qingjin, the Company’s senior management, and approximately 7% for Mr. Zhu Xingye and 7% for Mr. Shang Dewei, the Company’s employees. Mr. Liu Xingxu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company in accordance with the trust agreement.
- (b) Go Power is an investment holding company established in the BVI. Ms. Yan Yunhua beneficially owns approximately 12.01% of the equity interest in Go Power and holds approximately 87.99% of the equity interest in Go Power in trust for a total of 1,463 beneficiaries under the trust agreement. Ms. Yan Yunhua has the absolute discretion to exercise the voting rights held by Go Power in the Company in accordance with the trust agreement.

USE OF PROCEEDS

The estimated net proceeds of the Bonds Issue, after deduction of professional fees and administrative expenses, are approximately RMB322 million (equivalent to approximately HK\$393 million). The Company intends to use the net proceeds for Plant 4 Expansion, Xinjiang Expansion and general working capital.

REASONS FOR AND BENEFITS OF THE BONDS ISSUE

The Directors are of the view that the issue of the Bonds can provide the Company with additional funds for Company's Plant 4 Expansion and Xinjiang Expansion as well as general working capital purposes. The Company intends to engage long-term strategic investor to help further improve Company's corporate governance as well as shareholder base in the long-term perspective. The Company considers that Nitro could help bring in more insights from investors' perspective and leverage the extensive resources to explore more expansion opportunities for the Company. The Company intends, on Completion Date, to invite Nitro's representative to the Board.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Subscription Agreement and the Bond are made on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned, and the issue of the Bond is in the interests of the Company and the Shareholders as a whole.

GENERAL

As the Bonds Issue is arranged by DBS Bank Ltd, a financial sector incentive (bond market) company as defined in the Income Tax Act, Chapter 134 of Singapore (the "ITA"), the Bonds would be "qualifying debt securities" for the purposes of the ITA.

At the annual general meeting of the Company held on 26 April 2011, an ordinary resolution was passed to grant a general and unconditional mandate to the Directors to allot, issue and deal with additional Shares up to a limit of 20% of the aggregate nominal amount of the issued share capital of the Company as at 26 April 2011, which amounted to 200,000,000 Shares. The Directors have not exercised the power to allot and issue any new Shares pursuant to the general mandate granted. The Conversion Shares will be issued under such general mandate. The issue of the Bonds is not subject to the approval of the Shareholders.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "SUBSCRIPTION AGREEMENT" above for further information.

As the Subscription Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

The principal activity of the Company is investment holding. 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 and most cost-efficient coal-based urea producers in the PRC.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Nitro and the ultimate beneficial owner of Nitro are Independent Third Parties and are not connected persons (as defined in the Listing Rules) of the Company.

TERMS USED IN THIS ANNOUNCEMENT

“Board”	the board of directors of the Company
“Bondholder(s)”	holder(s) of the Bonds from time to time
“Bonds”	convertible bonds of an aggregate principal amount of approximately RMB324 million (equivalent to approximately US\$51 million calculated at the Exchange Rate and approximately HK\$397 million ⁽¹⁾) due the fifth anniversary of the issue of the Bonds
“Bonds Issue”	the subscription and issue of the Bonds under the Subscription Agreement
“Business Day(s)”	means day(s) (excluding Saturdays, Sundays and gazetted public holidays) on which commercial banks are open for business in Singapore and Hong Kong
“Cash Pay Rate”	interest on the Bonds from (and including) the Closing Date at the simple rate of 4.5% per annum payable in cash annually in arrear
“Change of Control”	occurs when: <ul style="list-style-type: none">(a) any Person or Persons acting together acquires Control of the Company if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Closing Date;(b) an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) Shareholders other than the offeror and/or any associate or Person or Persons acting together or in concert with the offeror) to acquire all or a majority of the issued Shares and such offer becoming, or being declared, unconditional in all respects; or(c) the Company consolidates with or merges into any other Person unless the consolidation or merger will not result in the other Person or Persons acquiring Control over the Company or the successor entity or all or substantially all of the assets of the Group are sold or transferred to any other Person;
“Closing Date”	the date of issue of the Bonds
“Completion Date”	means the date on which the subscription of and payment for the Bond takes place which shall be the date falling seven (7) Business Days after the satisfaction of all conditions under the Subscription Agreement (unless previously waived by Nitro) or such other date as the parties to the Subscription Agreement may agree in writing, which shall in any case be no later than 31 January 2012

“Company”	China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability, the shares of which are listed on the SGX and the Stock Exchange
“connected person”	has the meaning ascribed to that term in the Listing Rules and “connected persons” shall be construed accordingly
“Control”	means (a) other than where the Person or Persons acquiring Control is the Excepted Person or a Person or Persons acting together with the Excepted Person, the acquisition or control of more than 30% per cent. of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (b) where the Person or Persons acquiring Control is the Excepted Person or a Person or Persons acting together with the Excepted Person, acquisition or control of more than 75% per cent. of the voting rights of the issued share capital of the Company;
“Conversion Date”	the conversion date in respect of the Bonds
“Conversion Price”	the price per Share at which the Bonds may be converted into Shares which will initially be approximately RMB1.84 (equivalent to approximately HK\$2.25 ⁽¹⁾), and which will be adjusted from time to time in accordance with the terms and conditions of the Bonds
“Conversion Ratio”	the principal amount of each Bond divided by the then Conversion Price
“Conversion Right”	the right of a Bondholder to convert any Bond into Shares
“Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Bonds
“Deferment Interest Rate”	in the event the Company exercises the right to defer the payment of the interest for the Bonds, the applicable Cash Pay Rate at the relevant time shall be increased by 2.0% per annum
“Delisting”	when the Shares cease to be listed or admitted to the SGX and the Stock Exchange or, if applicable, an alternative stock exchange
“Directors”	directors of the Company
“Excepted Person”	means Pioneer Top Holdings Limited and/or Go Power Investments Limited and their respective related corporations (as defined under the Companies Act (Chapter 50 of Singapore));

“Go Power”	Go Power Investments Limited, a company incorporated in the British Virgin Islands and holds approximately 29.77% of the total issued share capital of the Company as at the date of this announcement
“Group”	the Company and its subsidiaries
“HKD Exchange Rate”	means the Bloomberg HKDCNY Currency ticker on each Business Day (as at 5 p.m., New York time) using the mid-point quote between bid and ask spread from the Composite source as indicated by Bloomberg code CPMN
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party (Parties)”	a person (persons) which is or are independent of the Company and connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the fifth anniversary of the date of issue of the Bonds
“Nitro”	Nitro Capital Limited, a wholly-owned subsidiary of Primavera Capital (Cayman) Fund I L.P., incorporated in the Cayman Islands
“Person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).
“Pioneer Top”	Pioneer Top Holdings Limited, a company incorporated in the British Virgin Islands and holds approximately 34.34% of the total issued share capital of the Company as at the date of this announcement
“Plant 4 Expansion”	means the construction by the Company of the new fourth production plant to expand its production capacity for urea which will be situated at the Northern and Eastern Side of Qinglong Road, Xinxiang Economic and Technology Development Zone, Xinxiang City, Henan Province, the PRC
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SGD Exchange Rate”	means the Bloomberg SGDCNY Currency ticker on each Business Day (as at 5 p.m., New York time) using the mid-point quote between bid and ask spread from the Composite source as indicated by Bloomberg code CPMN
“SGX”	the Singapore Exchange Securities Trading Limited

“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Singapore Listing Manual”	The Listing Manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
“Step Up Action”	means when the Company fails to achieve certain adjusted after tax net profit for fiscal years 2014 and 2015, provided that so long as any of the criteria is met, a Step Up Action will not occur
“Step Up Action Cash Payment”	a step up action cash payment calculated at an annual simple rate of 4.5%, in addition to the interest payable at the Cash Pay Rate and the Deferment Interest Rate (if any), on the principal amount of the Bonds which remain unconverted and/or unredeemed at the time of the occurrence of the Step Up Action, from the Closing Date to the date on which a Step Up Action occurs
“Step Up Event”	means, among other things: <ul style="list-style-type: none"> (iv) breach by the Company of the obligations of the terms and conditions of the Bonds; (v) failure by the Company to deliver the Conversion Shares when required; (vi) insolvency of any Group Company; (vii) default of any Group Company of other debt obligations; (viii) enforcement proceedings against any Group Company; (ix) involuntary winding-up procedures against any Group Company; (x) enforcement of security against the whole or any substantial part of property, asset or turnover of any Group Company; (xi) nationalisation of material assets of any Group Company; (xii) any material authorisation, consents, or licences required in respect of the Bonds issue ceasing or not being complied with by the Group (other than those no longer required); (xiii) any material illegality in the performance of the obligations under the Subscription Agreement by the Company;

- (xiv) any material litigation proceedings against any Group Company having a material adverse effect or preventing the Company from performing the Subscription Agreement;
- (xv) if the obligations under the Subscription Agreement and/or the terms and conditions of the Bonds cease to be or are claimed by the Company not to be legal and valid;
- (xvi) any material representation or warranty by the Company in the Subscription Agreement being incorrect, inaccurate or misleading in a material respect;
- (xvii) cessation of material business of any Group Company; or
- (xviii) if Pioneer Top and Go Power collectively cease to hold at least 35% of the Shares in issue at any time.

“Step Up Event Cash Payment”	a step up cash payment calculated at an annual simple rate of 8.0%, in addition to the interest payable at the Cash Pay Rate and the Deferment Interest Rate (if any), on the principal amount of the Bonds which remain unconverted and/or unredeemed at the time of the occurrence of the Step Up Event, from the Closing Date to the date on which a Step Up Event occurs
“Step Up Occurrence”	means a Change in Control or Delisting of the Company
“Step Up Occurrence Cash Payment”	a step up cash payment calculated at an annual simple rate of 16.0%, in addition to the interest payable at the Cash Pay Rate and the Deferment Interest Rate (if any), on the principal amount of the Bonds which remain unconverted and/or unredeemed at the time of the Step-Up Occurrence, from the Closing Date to the date on which a Step Up Occurrence occurs
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Exchange Business Day”	means any day (other than a Saturday or Sunday) on which the SGX and the Stock Exchange and, if relevant, the alternative stock exchange is open for business of dealing in securities
“Subscription Agreement”	a conditional subscription agreement entered into between the Company and Nitro on 27 November 2011 in connection with the Bonds Issue
“subsidiary”	has the meaning ascribed to it in the Listing Rules

“Trading Day”	means a day when the SGX and the Stock Exchange and, if relevant, an alternative stock exchange where the Shares are listed is open for dealing business, provided that if no volume weighted average price is reported for one or more consecutive Trading Days such Trading Day or Trading Days will be disregarded in any relevant calculation and shall be deemed not to have been Trading Days when ascertaining any period of Trading Days.
“Undertaking”	the irrevocable undertaking executed by Liu Xingxu and Yan Yunhua in relation to, among other things, certain non-disposal undertakings in respect of the Shares held by Go Power and Pioneer Top;
“United States or US”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“US\$”	US dollars, the lawful currency of the US
“US\$ Exchange Rate”	means the RMB/US\$ exchange rate published by Bloomberg under USDCNY Currency ticker, of the 20 day average ending on the date falling one Business Day (as at 5 p.m., New York time) prior to the date of this announcement using the mid-point quote between bid and ask spread from the Composite source as indicated by Bloomberg code CPMN, the screen rate output of which the Investor shall furnish to the Issuer
“Volume Weighted Average Price”	means, in respect of a Share on any Stock Exchange Business Day, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg (or any successor service notified to Bondholders) on such Stock Exchange Business Day, provided that on any such Stock Exchange Business Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Stock Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Stock Exchange Business Day on which the same can be so determined
“VWAP Price”	means the weighted average of the Volume Weighted Average Price of the Shares traded on the Stock Exchange and the Volume Weighted Average Price of the Shares traded on the SGX for the 20 Trading Days prior to the date of this announcement and translated into RMB using the HKD Exchange Rate and the SGD Exchange Rate

“Winding-up” means any step is taken by any person at the sole election of the Company (not under direction of any third party, including judicial or regulatory) with a view to the voluntary winding-up or dissolution or administration of any Group Company (including but not limited to a members’ voluntary solvent winding-up), or any Group Company ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the holders of majority in principal amount of the outstanding Bonds at the relevant time, or (ii) in the case of a subsidiary of the Company, whereby the undertaking and assets of such subsidiary are transferred to or otherwise vested in the Company or another of its subsidiaries.

“Xinjiang Expansion” means the expansion activities associated with non-binding cooperation framework agreement signed with the People’s Government of Manas County in April 2011

“%” per cent.

Note:

(1) Unless otherwise stated, the following exchange rates which are used in this announcement are for information only:

RMB1.00 = HK\$1.2233 (based on the exchange rate on the close of the market day preceding the date of this announcement, published by Bloomberg)

On behalf of the Board
Liu Xingxu
Chairman

28 November 2011

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

** for identification purpose only*