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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)

(Singapore Stock Code: B9R)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is a reproduction of the announcement made by China XLX Fertiliser Ltd. (the “**Company**”) pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited. In compliance with Rule 13.09(2) of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, please refer to the attached announcement on the next page issued on the Singapore Securities Trading Limited on 19 December 2011.

By Order of the Board
China XLX Fertiliser Ltd.
Foo Soon Soo
Company Secretary

Singapore, 19 December 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*

CHINA XLX FERTILISER LTD.

(A limited liability company incorporated in the Republic of Singapore on 17 July 2006)

(Company Registration No. 200610384G)

Singapore Stock Code: B9R.SI

Hong Kong Stock Code: 01866

**PROPOSED ISSUE OF RMB DENOMINATED CONVERTIBLE BONDS
CONVERTIBLE INTO ORDINARY SHARES OF CHINA XLX FERTILISER LTD. –
RECEIPT OF APPROVAL-IN-PRINCIPLE FROM THE SINGAPORE EXCHANGE
SECURITIES TRADING LIMITED (THE “SGX-ST”)**

Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meanings as in the Company’s announcement dated 28 November in relation to the proposed issue of RMB denominated convertible bonds convertible into ordinary shares of China XLX Fertiliser Ltd. (the “First Announcement”).

1. Receipt of In-Principle Approval from the SGX-ST

Further to the First Announcement, the Board wishes to announce that it has on 16 December 2011 received the in-principle approval of the SGX-ST for the listing of and quotation for up to 200,000,000 ordinary shares (the “**Conversion Shares**”) in the capital of the Company to be issued, credited as fully paid upon conversion of the Bonds.

The SGX-ST’s approval in-principle for the listing of and quotation for the Conversion Shares was granted subject to the following conditions:

- (a) compliance with the listing requirements of the SGX-ST;
- (b) a written confirmation for the Company that its current share issue mandate is sufficient for the issue of up to 200,000,000 Conversion Shares;
- (c) a written undertaking from the Company to make disclosure by way of an announcement each time the Bonds are converted into the Company’s shares including details on the Conversion Dates and Price;
- (d) a written undertaking from the Company to make disclosure by way of an announcement each time the Bonds are redeemed including the principal amount of Bonds redeemed and the redemption terms;
- (e) a written undertaking from the Company to make an immediate announcement whenever a Step Up Occurrence, Step Up Event or Step Up Action occurs and state its impact on the Company;
- (f) an immediate announcement by the Company of the financial effects of the Convertible Bond Issue;
- (g) a written undertaking from the Company to announce any adjustment made pursuant to Rule 829(1) of the Singapore Listing Manual;

- (h) a written undertaking from the Company to make periodic announcements on the specific details of the utilisation of proceeds raised from the proposed convertible Bond Issue as and when the proceeds are materially disbursed and that it will provide status report on the use of the proceeds in the annual report;
- (i) a written undertaking from the Company that it will not allot and issue the convertible Bonds so as to transfer a controlling interest in the Company without the prior approval of the Company's shareholders in general meeting;
- (j) a written confirmation from the Company that it will not place the convertible Bonds to any persons prohibited under Rule 812(1) of the Singapore Listing Manual;
- (k) a written confirmation from the Company's Board of Directors that the Board is unanimous in its view that the Step Up Occurrence and Step Up Event clauses which would result in the Company making significant additional payments to the Subscriber in the event of a change in control or significant change in the shareholdings of the controlling shareholders, is not prejudicial to the interest of the Company and its shareholders; and
- (l) an announcement by the Company via SGXNet on the followings:-
 - (i) The confirmation in paragraph 2(k) above; and
 - (ii) Prominent disclosure on the details of the Step Up Occurrence and Step Up Event clauses and the resulting significant additional payments to the Subscriber in the event of a change in control or significant change in the shareholdings of the controlling shareholders.

It should be noted that the in-principle approval from the SGX-ST is not an indication of the merits of the Bond Issue, the Conversion Shares, the Company and/or its subsidiaries.

2. Closing Date

A separate announcement will be issued by the Company on the Closing Date.

3. Details on the Step Up Occurrence and the Step Up Event

3.1 Step Up Occurrence

Pursuant to the terms and conditions of the Bonds (The "**Conditions**"), "**Step Up Occurrence**" shall mean:

- (i) **a Change of Control; or**
- (ii) **when the shares of the Company ("Shares") cease to be listed or admitted to the SGX-ST and the Stock Exchange or, if applicable, the Alternative Stock Exchange,**

where: "**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the SGX-ST and the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

“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 Company’s board of directors 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;

a **“Change of Control”** occurs when:

- (A) any Person (as defined below) 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;

an **“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)); and

a **“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).

Upon the occurrence of a Step Up Occurrence, the Bondholders shall be entitled to receive a step up cash payment calculated at an annual simple rate of **16.0%**, in addition to the interest payable at the applicable Cash Pay Rate (which is the interest on the Bonds from (and including) the date of issue of the Bonds (the **“Closing Date”**) at the simple rate of **4.5%** per annum payable in cash annually in arrears) and the Deferment Interest Rate (if any), on the principal amount of the Bonds (**“Original Investment Amount”**) which remain unconverted and/or unredeemed (**“Outstanding Original Investment Amount”**) at the time of the Step-Up Occurrence, from the Closing Date to the date on which a Step Up Occurrence occurs (the **“Step Up Occurrence Cash Payment”**).

*Upon the occurrence of a Step Up Occurrence, the Cash Pay Rate will be increased to (i) **20.5%** per annum, being the aggregate of **4.5%** per annum and **16.0%** per annum, or (ii) in the event the Company has exercised its right to defer the payment of the interest pursuant to Condition 4.2, **22.5%** per annum, being the aggregate of **4.5%** per annum, **2.0%** per annum and **16.0%** per annum.*

For the avoidance of doubt, the Step Up Occurrence Cash Payment shall only be payable in cash, and shall not be aggregated with the Original Investment Amount (as defined below) of the Bonds for the purposes of conversion of the Bonds.

For instance, in the event that a third party (the “**Third Party**”) who holds 10% of the Shares and is a Person other than Pioneer Top and Go Power or Persons acting in concert or together with Pioneer Top and/or Go Power, acquires more than 25% of the Shares in the capital of the Company in the fourth year from the Closing Date, a “Change of Control” under the terms and conditions of the Bonds will be deemed to have occurred, which will in return trigger the “Step Up Occurrence”. As a result, assuming the Company has not exercised its right to defer the payment of the interest pursuant to Condition 4.2, the Company will need to pay the Bondholders an amount representing **82.0%** of the Original Investment Amount (as defined below) as the Step Up Occurrence Cash Payment in addition to Original Investment Amount.

In the event that the abovementioned Change of Control happened in the first, second, third or fifth year from the Closing date, assuming the Company has not exercised its right to defer the payment of the interest pursuant to Condition 4.2, the Company will need to pay the Bondholders an amount representing **20.5%**, **41.0%**, **61.5%** or **102.5%** of the Original Investment Amount (as defined below) as the Step Up Occurrence Cash Payment in addition to Original Investment Amount.

In addition, pursuant to the Conditions, the Company shall have the right to defer the Step Up Occurrence Cash Payment and any amount so deferred which remains due and owing by the Company shall remain payable by the Company notwithstanding the conversion of the Bonds.

The Company shall give notice to Bondholders in accordance with condition 14 as soon as possible but in any event not later than five (5) Trading Days (as defined below) following the first day on which it becomes aware of a Step Up Occurrence, which notice shall specify the date of such Step Up Occurrence and the events causing such Step Up Occurrence.

For the purpose of this announcement:

“**Trading Day**” means a day when the SGX-ST and the Stock Exchange and, if relevant, the Alternative Stock Exchange 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.

“**Original Investment Amount**” means the aggregate principal amount of the Bonds of RMB324,366,153.50 which shall be equivalent to US\$51,042,339.00 (calculated at the Exchange Rate).

3.2 Step Up Event

Pursuant to the Conditions, “**Step Up Event**” shall mean:

- (i) **Breach of Subscription Obligations:** the Company does not perform or comply with one or more of its other obligations under the Conditions and (A) the breach is incapable of being rectified, or (B) if the breach is capable of being rectified, such breach is not rectified within 30 days after written notice of such default shall have been given to the Company by any Bondholder;
- (ii) **Failure to deliver Conversion Shares:** any failure by the Company to deliver any Conversion Shares as and when the Conversion Shares are required to be delivered following conversion of Bonds and such failure continues for more than fourteen (14) days;
- (iii) **Insolvency:** the Company or any of its subsidiaries (collectively, the “**Group**” or “**Group Companies**” and each, a “**Group Company**”) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any material part of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of a particular type of) the debts of any Group Company, or if the auditors of any Group Company are unable to prepare the audited accounts of any Group Company or express concern in their auditors’ report relating to any Group Company’s ability to continue as a going concern;
- (iv) **Default of Other Debt Obligations:** (A) any other present or future indebtedness (whether actual or contingent) of any Group Company for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (C) any facility relating to any such indebtedness is or is declared to be or is capable of being cancelled or terminated before its normal expiry date or if any Group Company is otherwise entitled to use any such facility is not so entitled, or (D) any Group Company fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any monies borrowed or raised having an aggregate principal amount of or exceeding US\$20,000,000. This paragraph (iv) however does not apply to any technical default that arises solely as a result of relevant lenders’ technical or administrative issues and not as a result of the relevant Group Company’s non-performance under the terms of the relevant debt obligations;
- (v) **Enforcement Proceedings:** a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or any material part of the property, assets or turnover of any Group Company and is not discharged or stayed within 14 days;

- (vi) Involuntary Winding-up: (A) any authority has initiated procedures with a view to the involuntary winding-up or dissolution or administration of any Group Company, 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 (x) on terms approved by the Bondholders, or (y) 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, or (B) the long-term or permanent suspension of the operations of any Group Company pursuant to an order of court or any relevant government authority;
- (vii) Security Enforced: an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any substantial part of the property, assets or turnover of any Group Company (as the case may be) and is not discharged within 14 days;
- (viii) Nationalisation: (A) all or a material part of the assets of any Group Company has been seized, compulsory acquired, expropriated or nationalised by any person acting under the authority of any national, regional or local government, or (B) any Group Company is prevented from exercising normal control over all or a material part of its property, assets and turnover for any reason not due to or initiated by the board/management and/or shareholders of the Company;
- (ix) Authorisation and Consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (A) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under the Subscription Agreement, and (B) to ensure that those obligations are legally binding and enforceable, is in each case not taken, fulfilled or done, or any such consent, approval, authorisation, exemption or licence ceases to be in full force and effect without modification or any condition in or relating to any such consent, approval, authorization, exemption or licence is not complied with (unless that consent or condition is no longer required or applicable);
- (x) Illegality: it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under the Subscription Agreement or the Subscription Agreement ceases to be, or is claimed by the Company not to be, the legal and valid obligations of the Company, binding upon it in accordance with its terms;
- (xi) Litigation: any litigation, arbitration or administrative proceeding is current or pending (other than those of a frivolous or vexatious nature or those which are being contested in good faith) (A) to restrain the exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the Company under the Subscription Agreement or (B) which has or could have a material adverse effect on the Company or on the Group taken as a whole;
- (xii) Transaction Documents: the Transaction Documents (as defined in the Subscription Agreement) to which the Company is party ceases to be, or is claimed by the Company not to be, the legal and valid obligations of the Company, binding upon it in accordance with its terms;

- (xiii) Subscription Agreement: any representation or warranty by the Company in the Subscription Agreement is not complied with in any material respect or is proven to have been incorrect, inaccurate, or misleading in any material respect when made or deemed to have been repeated or if at any time, any of the undertakings or covenants by the Company is not observed or complied with in all material respects by the Company;
- (xiv) Cessation of Business: any Group Company stops or threatens to cease to carry on substantially all of its business, operations and/or undertakings as carried on at the date hereof or (otherwise than in the ordinary course of its business) disposes or threatens to dispose of the whole or any parts of its property or assets, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by the Bondholders, or (2) in the case of a subsidiary of the Company, whereby the business, operations and/or undertakings of such subsidiary are transferred to or otherwise vested in the Company or another of its subsidiaries; and
- (xv) Change in Shareholding of Management: If Pioneer Top and Go Power collectively cease to hold at least 35 per cent. (35%) of the Shares in issue at any time.

Upon the occurrence of a Step Up Event (as defined below), the Bondholders shall be entitled to receive a step up cash payment calculated at an annual simple rate of **8.0%**, in addition to the interest payable at the applicable Cash Pay Rate and the Deferment Interest Rate (if any), on the Outstanding Original Investment Amount from the Closing Date to the date on which a Step Up Event occurs (the “**Step Up Event Cash Payment**”).

Upon the occurrence of a Step up Event, the Cash Pay Rate will be increased to (i) 12.5% per annum, being the aggregate of 4.5% per annum and 8.0% per annum, or (ii) in the event the Company has exercised its right to defer the payment of the interest pursuant to Condition 4.2, 14.5% per annum, being the aggregate of 4.5% per annum, 2.0% per annum and 8.0% per annum.

For the avoidance of doubt, the Step Up Event Cash Payment shall only be payable in cash, and shall not be aggregated with the Original Investment Amount of the Bonds for the purposes of conversion of the Bonds.

For instance, in the event that Pioneer Top and Go Power collectively cease to hold at least 35 per cent. (35%) of the Shares in issue in the fourth year from the Closing Date, a “Step Up Event” will deemed occurred, and assuming the Company has not exercise its right to defer the payment of the interest pursuant to Condition 4.2, the Company will need to pay the Bondholders an amount representing **50.0%** of the Original Investment Amount as the Step Up Event Cash Payment in addition to Original Investment Amount.

In the event that the abovementioned Change of Control happened in the first, second, third or fifth year from the Closing date, and assuming the Company has not exercise its right to defer the payment of the interest pursuant to Condition 4.2, the Company will need to pay the Bondholders an amount representing **12.5%, 25.0%, 37.5% or 62.5%** of the Original Investment Amount as the Step Up Event Cash Payment in addition to Original Investment Amount.

In addition, pursuant to the Conditions, the Company shall have the right to defer the Step Up Event Cash Payment and any amount so deferred which remains due and owing by the Company shall remain payable by the Company notwithstanding the conversion of the Bonds.

The Company shall give notice to Bondholders in accordance with Condition 14 as soon as possible but in any event not later than five (5) Trading Days following the first day on which it becomes aware of the occurrence of a Step Up Event, which notice shall specify the date of such Step Up Event and the events causing such Step Up Event.

- 3.3 *The board of directors of the Company unanimously confirms that taken into account the entirety of the terms of the Bond, it is of the view that the Step Up Occurrence and Step Up Event clauses which would result in the Company making significant additional payments to the Subscriber in the event of a change in control or significant change in the shareholdings of the controlling shareholders, is not prejudicial to the interest of the Company and its shareholders.*

4. Financial Effects

It is not possible at the date of this Announcement to determine precisely the financial effects of the Bond Issue on the Company or the Group until the Bonds have been fully converted or otherwise redeemed. However, for purpose of illustration, we have set out below the financial effects of the Bond Issue on the share capital (excluding treasury shares), net tangible assets (“NTA”) and NTA per Share and gearing of the Company and the Group in connection with the issue of an aggregate principal amount of approximately RMB324 million (equivalent to approximately US\$51 million calculated at the US\$ Exchange Rate) at an initial Conversion Price of approximately RMB1.84 per Share (equivalent to approximately S\$0.380 based on the exchange rate of S\$1.00 = RMB4.8546 on the close of the market day preceding the date of the First Announcement, published by Bloomberg).

For the avoidance of doubt, nothing in this Announcement may be treated as representation by the Company as to the trading price of the Shares on the SGX-ST during the term of the Bonds or for any other period of time.

Assumptions:

- (a) Conversion Price is at S\$0.38/Share.
- (b) The Bonds in aggregate principal amount of approximately RMB324.4 million are fully issued, and converted into Shares at 30 September 2011.
- (c) Issue expenses amount to approximately S\$567,000.
- (d) Exchange rate is S\$1= RMB4.8546.
- (e) The Bonds are accounted for as equity immediately after issuance.

(a) Share Capital:

Share Capital	The Company 30 September 2011 Number of Shares (‘000)
Issued and paid up share capital (number of Shares)	1,000,000
Number of Conversion Shares arising from full conversion of the Bonds	176,000
Enlarged share capital after full conversion of the Bonds	1,176,000
Conversion Shares/existing issued share capital	17.60%
Conversion Shares/enlarged issued share capital	14.97%

(b) NTA:

NTA	The Group 30 September 2011 (S\$‘000)
<u>After issue of the Convertible Bonds but before conversion</u>	
Net tangible assets as reported	334,076
Gross proceeds from issue of the Bonds	66,816
Estimated issue expenses	567
Adjusted net tangible assets after issue of the Bonds but before conversion	400,326
Adjusted net tangible assets per Share after issue of the Bonds but before conversion (Singapore Cents)	40.03
<u>After issue and conversion of the Convertible Bonds</u>	
Adjusted net tangible assets after issue of the Bonds and conversion	400,326
Adjusted net tangible assets per Share after issue of the Bonds and conversion (Singapore cents)	35.61

(c) Earnings:

As the interest cost in respect of the Convertible Bonds prior to any conversion will be accounted for under other comprehensive income, there will be no impact on the net profits of the Group.

(d) Gearing

	The Group 30 September 2011 (S\$'000)
Gearing (in S\$)	
Net borrowings before issue of the Bonds	251,053
Increase in cash and cash equivalents after the issue of the Bonds	66,249
Adjusted net borrowings before issue of the Bonds	184,806
Equity as reported	352,577
Increase in equity after issue of the Bonds (with/without conversion)	66,249
Adjusted equity after issue of the Bonds (with/without conversion)	418,826

	The Group 30 September 2011
Gearing (in Times)	
Before issue of the Bonds	71.21%
After issue of the Bonds (with/without conversion)	44.12%

5. Rule 803 of the Singapore Listing Manual

As part of its preliminary assessment, the Company has consulted the SGX-ST for guidance on whether the issuance of the Conversion Shares will constitute a transfer in the controlling interest of the Company under Rule 803 of the Singapore Listing Manual, and was informed by SGX-ST that the issuance of the Conversion Shares as announced herein would not constitute a transfer in the controlling interest of the Company and the Company is not required to seek shareholders' approval for such issuance of the Conversion Shares in respect of Rule 803 of the Singapore Listing Manual.

BY ORDER OF THE BOARD

Liu Xingxu
CEO and Chairman

Date: 19 December 2011