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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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

General Lease Agreement

On 21 August 2013, the General Lease Agreement was entered into between Henan XLX and XLX Chem, pursuant to which XLX Chem has agreed to lease certain living quarters with an aggregate area of 138,134.89 square meters located at XLX Chem West Courtyard Living quarters, Xiaoji Town, Xinxiang City, Henan, China (中國河南新鄉市小冀鎮心連心化工西院生活區) to Henan XLX. The living quarters include industrial kitchens, canteens, staff dormitories, warehouses and apartments for general staff of Henan XLX. The General Lease Agreement has a term commencing with effect from 19 August 2013 up to and including 18 August 2016.

Equipment Purchase Agreement

The Company expects to exceed the annual caps of the Equipment Purchase Agreement and the revised annual caps for the years ending 31 December 2013 and 2014 are expected to be approximately RMB23,000,000 (approximately HK\$29,210,000) for both years.

As at the date of this announcement, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen (being executive directors of the Company) collectively hold an aggregate of approximately 10.6% interest in XLX Chem, where their respective shareholdings are the largest in XLX Chem. As with the case at time of the Company's listing on the Stock Exchange, XLX Chem, its subsidiaries and associates were and remain to be deemed as our connected persons under Rule 14A.11(4)(a) of the Listing Rules.

Accordingly, the transactions under the General Lease Agreement and the Equipment Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The relevant percentage ratios under the Listing Rules for each of the General Lease Agreement and the Equipment Purchase Agreement are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, each of the General Lease Agreement and the Equipment Purchase Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. THE GENERAL LEASE AGREEMENT

General Lease Agreement

On 21 August 2013, the General Lease Agreement was entered into between Henan XLX and XLX Chem, pursuant to which XLX Chem has agreed to lease certain living quarters with an aggregate area of 138,134.89 square meters located at XLX Chem West Courtyard Living quarters, Xiaoji Town, Xinxiang City, Henan, China (中國河南新鄉市小冀鎮心連心化工西院生活區) to Henan XLX. The living quarters include industrial kitchens, canteens, staff dormitories, warehouses and apartments for general staff of Henan XLX. The General Lease Agreement has a term of three years commencing with effect from 19 August 2013 up to and including 18 August 2016.

The monthly lease under the General Lease Agreement is RMB186,600 which shall be settled by payment in cash by Henan XLX prior to the 28th day of each calendar month using the Group's internal financial resources. The monthly lease amount was arrived at on normal commercial terms after arm's length negotiation with reference to prevailing market rates of similar premises in the same province.

B. EQUIPMENT PURCHASE AGREEMENT

Reference is made to the Announcement of the Company, in relation to, among other things, the Equipment Purchase Agreement. Pursuant to the Equipment Purchase Agreement, XLX Equipment has agreed to supply Equipment to Henan XLX for the Group's production.

The Company expects to exceed the annual caps of the Equipment Purchase Agreement as stated in the Announcement for the years ending 31 December 2013 and 2014 as the expansion of the Group's production capacity and increased market demand has required the purchase of additional Equipment from XLX Equipment.

Historical annual caps for the Equipment Purchase Agreement

The historical transaction amounts and the original annual caps (as stated in the Announcement) of the Equipment Purchase Agreement are as follows:

	Original Annual Caps	
12 months ending 31 December 2012	12 months ending 31 December 2013	12 months ending 31 December 2014
RMB15,000,000 (approximately HK\$19,050,000)	RMB15,000,000 (approximately HK\$19,050,000)	RMB15,000,000 (approximately HK\$19,050,000)
Actual amounts transacted		
12 months ending 31 December 2012	6 months ending 30 June 2013	
RMB11,495,000 (approximately HK\$14,598,650)	RMB10,391,000 (approximately HK\$13,196,570)	

C. ANNUAL CAPS

General Lease Agreement

Based on the fixed monthly lease of RMB186,600 in respect of the General Lease Agreement, the annual caps for the General Lease Agreement will be as follows:

4 months ending 31 December 2013	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
RMB746,400 (approximately HK\$947,928)	RMB2,239,200 (approximately HK\$2,843,784)	RMB2,239,200 (approximately HK\$2,843,784)	RMB2,239,200 (approximately HK\$2,843,784)

Equipment Purchase Agreement

Based on the above historical transaction amounts of the Equipment Purchase Agreement and factoring in the additional amounts of Equipment required to meet the expanding production capacity of the Group, the annual caps for the Equipment Purchase Agreement for the years ending 31 December 2013 and 2014 are accordingly revised as follows:

12 months ending 31 December 2013	12 months ending 31 December 2014
RMB23,000,000 (approximately HK\$29,210,000)	RMB23,000,000 (approximately HK\$29,210,000)

D. REASONS AND BENEFITS FOR THE TRANSACTIONS

General Lease Agreement

The General Lease Agreement was entered into with a view for the Group to take advantage of the strategic location of the accommodation and catering facilities of XLX Chem which is located near the Group's production factories. The General Lease Agreement will provide the Group's staff with convenient residential facilities and reduce time required for daily work commute.

Equipment Purchase Agreement

As mentioned in the Announcement, the prices for Equipment purchases were determined by the Group's internal qualification and tendering procedures with potential suppliers of Equipment. XLX Equipment was selected as the successful supplier after having gone through the selection procedures mentioned above. Given the close geographical location of the respective operations of XLX Equipment and the Group, the Group also enjoys the benefit of reliable and timely delivery of Equipment and cost effectiveness.

The directors of the Company (including the independent non-executive directors of the Company) are of the view that the terms of the General Lease Agreement and the Equipment Purchase Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

E. GENERAL

Information about the Company and Henan 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. Henan XLX is a wholly-owned subsidiary of the Company and is principally engaged in manufacturing, sales and trading of urea, compound fertilisers and other related products.

Information about XLX Chem Group

The XLX Chem Group are engaged in the business of producing and trading of equipment, chemical products, gas and raw materials, and the provision of accommodation and catering services. XLX Equipment is primarily engaged in the trading of equipment including pipes, containers and high-pressure containers.

As at the date of this announcement, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen (being executive directors of the Company) collectively hold an aggregate of approximately 10.6% interest in XLX Chem, where their respective shareholdings are the largest in XLX Chem. As with the case at time of the Company's listing on the Stock Exchange, XLX Chem, its subsidiaries and associates were and remain to be deemed as our connected persons under Rule 14A.11(4)(a) of the Listing Rules. Accordingly, the transactions under the General Lease Agreement and the Equipment Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Save and except for Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen who had abstained from voting on the board resolutions in relation to the General Lease Agreement and the Equipment Purchase Agreement, no other director of the Company has a material interest in the General Lease Agreement and the Equipment Purchase Agreement or is required to abstain from voting at the board meetings of the Company.

The relevant percentage ratios under the Listing Rules for each of the General Lease Agreement and the Equipment Purchase Agreement are individually, on an annual basis, more than 0.1% but less than 5%. Accordingly, each of the General Lease Agreement and the Equipment Purchase Agreement, pursuant to Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition to the above, as the aggregate value of the annual caps in relation to the General Lease Agreement and the Equipment Purchase Agreement, together with all other transactions entered into between the Group and the XLX Chem Group, as at the date of this announcement is less than 3% of the Group's latest audited net tangible assets, neither an announcement pursuant to Rule 905 of the Singapore Listing Manual nor shareholders' approval pursuant to Rule 906 of the Singapore Listing Manual is required.

F. DEFINITIONS

The following defined terms are used in this announcement:

“Announcement”	the continuing connected transaction announcement of the Company dated 16 November 2012 in relation to, among other things, the Equipment Purchase Agreement;
“associate”	has the meaning ascribed thereto in the Listing Rules;
“Equipment”	pipes, containers and high-pressure containers;
“Equipment Purchase Agreement”	the agreement dated 16 November 2012 between XLX Equipment and Henan XLX in relation to the supply of Equipment by XLX Equipment to Henan XLX, details of which are set out in the Announcement;
“General Lease Agreement”	the agreement dated 21 August 2013 between XLX Chem and Henan XLX, in relation to the provision of living quarters by XLX Chem to Henan XLX, details of which are set out in this announcement;
“Group”	the Company and its subsidiaries;
“Henan XLX”	Henan Xinlianxin Fertiliser Co., Ltd. (河南心連心化肥有限公司), a wholly-owned subsidiary of the Company incorporated in the PRC;
“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;
“RMB”	Renminbi, the lawful currency of PRC;
“SGX-ST”	the Singapore Exchange Securities Trading Limited;
“Singapore Listing Manual”	the listing rules of the SGX-ST as amended, supplemented or modified, from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“XLX Chem”	Henan Xinlianxin Chemicals Group Co., Ltd. (河南心連心化工集團有限公司), a company incorporated under the laws of the PRC and deemed to be a connected person of the Company under Rule 14A.11(4)(a) of the Listing Rules;
“XLX Chem Group”	XLX Chem and its subsidiaries;

XLX Equipment”

Xinxiang Xinlianxin Chemical Equipment Co., Ltd. (新鄉市心連心化工設備有限公司), a company incorporated in the PRC and a subsidiary of XLX Chem;

“%”

per cent.

For illustration purposes only the exchange rate of RMB1 = HK\$1.27 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*

21 August 2013

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 of the Company are Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin; and the non-executive director of the Company is Mr. Lian Jie.

** for identification purpose only*