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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)

**AMENDMENTS TO THE TERMS AND CONDITIONS
OF THE RMB DENOMINATED CONVERTIBLE BONDS DUE 2016**

On 21 December 2011, the Company issued to Nitro the 4.5% RMB denominated convertible bonds in the principal amount of approximately RMB324 million and which are due on 21 December 2016. On 14 December 2016 (after trading hours), the Company and Nitro entered into the Amendment Agreement to, among other things, extend the maturity date and lower the interest rate of the Bonds. Completion of the Amendment Agreement is conditional upon, among other things, the granting by the Stock Exchange of the approval for the listing of, and permission to deal in, the Conversion Shares to be issued under the Restated Bonds.

If the Amendment Agreement fails to complete on or before 21 December 2016, subject to no objection being received from the Stock Exchange, the parties shall consider the maturity date of the Bonds issued pursuant to the Subscription Agreement (and which have not yet been restated in accordance with the Amendment Agreement) to have been extended until the Long Stop Date. If completion of the Amendment Agreement does not take place by the Long Stop Date, then the Bonds will be converted.

Completion of the Amendment Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. As the Amendment Agreement may or may not complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

BACKGROUND

Reference is made to the announcements (“**Announcements**”) of the Company dated 28 November 2011, 19 December 2011 and 21 December 2011 with respect to the issue by the Company to Nitro of RMB denominated convertible bonds in the aggregate principal amount of approximately RMB324 million.

As stated in the Announcements, the Company and Nitro entered into the Subscription Agreement on 27 November 2011 with respect to the Bonds Issue which completed on 21 December 2011. As at the date of this announcement, none of the Bonds have been redeemed or converted. On 14 December 2016 (after trading hours), the Company and Nitro entered into the Amendment Agreement to, among other things, extend the maturity date and lower the interest rate of the Bonds. Principal terms of the Amendment Agreement are set out below.

THE AMENDMENT AGREEMENT

Date: 14 December 2016

Parties: The Company; and
Nitro

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, each of Nitro and its ultimate beneficial owners is a third party independent of the Company and the connected persons (as defined in the Listing Rules) 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.

Conditions Precedent of the Amendment Agreement

Completion of the Amendment Agreement is conditional upon, amongst other things, approval of the Stock Exchange having been obtained for the listing of, and permission to deal in, the Conversion Shares issuable under the Restated Bonds on the Stock Exchange.

The approval of the Stock Exchange is not capable of waiver without the consent of the Company and Nitro. In the event that any of the other conditions are not fulfilled or waived by Nitro on or before the Long Stop Date, the Amendment Agreement shall, save for certain clauses (including, among others, those in relation to confidentiality, costs and expenses 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 Amendment Agreement.

If the Completion Date falls on or after 21 December 2016, subject to no objection being received from the Stock Exchange, the parties shall consider the maturity date of the Bonds issued pursuant to the Subscription Agreement (and which have not yet been restated in accordance with the Amendment Agreement) to have been extended until the Long Stop Date. If completion of the Amendment Agreement does not take place by the Long Stop Date, then the Bonds will be converted.

Completion

Completion of the Amendment Agreement will take place no later than the second Business Day after the satisfaction or valid waiver of each of the conditions set out in the Amendment Agreement (or such other date mutually agreed in writing by the parties).

Termination

If there shall develop, occur or come into effect any of the following events, since the date of the Amendment 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 Amendment 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 Amendment Agreement or any failure by the Company to perform any of its undertakings or agreements therein;
- (ii) if any of the conditions to completion specified in the Amendment Agreement has not been satisfied or waived by Nitro by the Long Stop Date;
- (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 Amendment Agreement, there shall have occurred either of the following:
 - (a) there is a suspension or material limitation of trading in securities generally on the Stock Exchange; or
 - (b) there is a suspension in the trading of the Shares by 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 Main Board of the Stock Exchange.

PRINCIPAL TERMS OF THE RESTATED BONDS

The principal terms of the Restated Bonds are summarised as follows:

Principal Amount

The aggregate principal amount of the Restated Bonds remains unchanged at approximately RMB324 million (equivalent to approximately US\$51 million calculated at the US\$ Exchange Rate and approximately HK\$364 million).

Interest

The Bonds shall bear interest of 4.5% per annum from (and including) 21 December 2011 (being the date of issue of the Bonds) to (and excluding) the Completion Date. Subsequently from (and including) the Completion Date to (and excluding) 21 December 2018, the Restated Bonds shall bear an interest rate of 2% per annum.

The interest shall be payable by the Company in cash annually in arrears, on 21 December in each year, commencing on 21 December 2012. 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 interest rate at the relevant time shall be increased by 2.0% per annum.

Maturity Date

The maturity date of the Restated Bonds is 21 December 2018.

Conversion Period

Bondholders have the right to convert the Restated Bonds into Conversion Shares at any time on or after the Completion 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 Restated Bonds;
- (ii) if such Restated 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 Restated Bonds;
- (iii) if notice requiring redemption has been given by the Bondholder of such Restated 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 Restated Bond will be determined by dividing the principal amount of the Restated 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 Restated Bonds and no cash adjustments will be made in respect thereof.

Conversion Price

The Restated Bonds will be convertible into Shares at an Conversion Price of approximately RMB1.84 (equivalent to approximately HK\$2.07) per Share (subject to adjustments) which represents:

- (a) a discount of approximately 12.66% over the closing price of the Shares at the end of the trading session on the Stock Exchange on 14 December 2016, being the date of this announcement, of HK\$2.37; and
- (b) a discount of approximately 11.69% over the average closing price of the Shares for the last five consecutive Trading Days immediately prior to the date of this announcement of approximately HK\$2.344.

The Conversion Price remains the same as that for the Bonds issued on 21 December 2011 and was determined by the parties after arms' length negotiations with reference to the information then available to the parties as disclosed in the announcement of the Company dated 28 November 2011. 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 Restated 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 Restated Bonds may only be transferable with prior written consent of the Company, provided that the principal amount of the Restated Bonds to be transferred and the balance of the remaining Restated Bonds (if any) are in the denomination as set out below or in integral multiples thereof.

Mandatory Conversion

The Company shall be entitled to request all but not some only of the Restated Bonds to be converted mandatorily into Conversion Shares in the event that the Company's ordinary shares are traded on the Stock Exchange 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 Restated 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 Restated Bonds outstanding at a redemption price which shall be equivalent to the aggregate of the outstanding principal amount of the Restated Bonds together with a redemption premium of 8.0% per annum on such outstanding principal amount, up to the date fixed for redemption.

Optional redemption right of the Company to redeem the Bonds upon the occurrence of certain step up events as disclosed in the announcement of the Company dated 28 November 2011 is removed.

Form of the Restated Bonds and Denomination

The Restated 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 Restated Bonds

The Restated 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 Restated 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 Restated 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 Restated 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 Bondholders.

The original step up rights and the lock-up and other transfer restrictions with respect to the Conversion Shares (other than the restriction on transfers of Conversion Shares held by Nitro to the Company's competitors in privately negotiated sale) as stated in the announcement of the Company dated 28 November 2011 have been removed and an additional requirement that any disposals not create a disorderly or false market has been added pursuant to the Amendment Agreement. The other principal terms and conditions of the Subscription Agreement, except as expressly amended by the Amendment Agreement, remain in full force and effect.

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 OF THE RESTATED BONDS

Based on the conversion price of approximately RMB1.84 (equivalent to approximately HK\$2.07) (subject to adjustments) and assuming that the Restated Bonds will be converted in full, an aggregate of approximately 176,000,000 Shares will be issued, 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 issue of the Restated Bonds:

	Existing shareholding as at the date of this announcement		After full conversion of the Restated Bonds at the initial Conversion Price	
	<i>No. of Shares held</i>	<i>% of the issued share capital of the Company</i>	<i>No. of Shares held</i>	<i>% of the issued share capital of the Company</i>
Substantial Shareholders				
Pioneer Top <i>(note (a))</i>	360,207,999	36.02	360,207,999	30.63
Go Power <i>(note (b))</i>	277,085,000	27.71	277,085,000	23.56
Directors				
Liu Xingxu	600,000	0.06	600,000	0.05
Yan Yunhua	300,000	0.03	300,000	0.02
Ong Kian Guan	100,000	0.01	100,000	0.01
Public shareholders	361,707,001	36.17	361,707,001	30.76
Nitro	0	0	176,000,000	14.97
Total	<u>1,000,000,000</u>	<u>100.00</u>	<u>1,176,000,000</u>	<u>100.00</u>

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 approximately 58% of the equity interest in Pioneer Top in trust for seven beneficiaries under a trust agreement, including approximately 7% for Mr. Zhang Qingjin (an executive Director), approximately 16% for Mr. Li Buwen (a former executive Director) and approximately 35% for five of the Company’s senior management and 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 12.74% of the equity interest in Go Power and holds approximately 87.26% 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, were approximately RMB322 million (equivalent to approximately HK\$362 million). As of the date of this announcement, such net proceeds had been used in full by the Group towards Plant 4 Expansion (as to approximately RMB190 million), Xinjiang Expansion (as to approximately RMB50 million) and general working capital (as to approximately RMB82 million). No additional fund will be raised by the issue of the Restated Bonds.

The net price of each Share that may fall to be issued under the Restated Bonds at the Conversion Price was approximately RMB1.83 (being the net proceeds received from the Bonds Issue divided by the total number of 176,000,000 Conversion Shares to be issued upon full conversion of the Restated Bonds at approximately RMB1.84 per Share).

REASONS FOR AND BENEFITS OF ENTRY INTO THE AMENDMENT AGREEMENT WITH RESPECT TO THE RESTATED BONDS

Pursuant to the Subscription Agreement, all of the outstanding Bonds will be converted mandatorily into Shares on the original maturity date of the Bonds. Prior to the original maturity date of 21 December 2016, the Company was approached by Nitro about extension of the maturity date of the Bonds. Nitro noted the prices at which the Shares are currently trading and the possible further downward pressure on the market price of the Shares if the Bonds were to mature and be converted into Shares in the immediate future. The Company shares such concerns. In consideration of the Company agreeing to the extension, Nitro agrees to lower the annual interest rate of the Restated Bonds to 2% from the interest rate of the Bonds of 4.5% per annum. Given the prices at which the Shares are currently trading, the Directors believe that it would be in the interests of Shareholders as a whole to defer the conversion of the Bonds, and the potential disposal of Shares following such conversion, to a later time, while lowering the interest rate of the Bonds. Overall, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Amendment Agreement and the Restated Bonds are made on normal commercial terms and are fair and reasonable as far as the Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

As the extension of the maturity date of the Bonds by the parties constituted a material change to the terms of the Bonds, the Company is required to make an application to the Stock Exchange for a fresh approval for the listing of, and permission to deal in, the Conversion Shares to be issued under the Restated Bonds.

The Conversion Shares under the Restated Bonds will be issued and allotted under the General Mandate. Therefore, the issue and allotment of the Conversion Shares upon conversion of the Restated Bonds are not subject to the approval of the Shareholders. Pursuant to the General Mandate, the Directors are authorized to allot and issue up to 200,000,000 Shares, representing 20% of the total number of the Shares of the Company in issue as at 13 May 2016, being the date of the annual general meeting during which the General Mandate was granted. As at the date of this announcement, the General Mandate has not been utilised.

Completion of the Amendment Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. As the Amendment Agreement may or may not complete, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Amendment Agreement”	the agreement dated 14 December 2016 entered into by the Company and Nitro to amend the Subscription Agreement and certain terms and conditions of the Bonds
“Board”	the board of directors of the Company
“Bondholder(s)”	holder(s) of the Restated 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 US\$ Exchange Rate and approximately HK\$364 million) issued by the Company on 21 December 2011 and due 21 December 2016
“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
“Completion Date”	means the date on which the completion of the Amendment Agreement takes place which shall be the date falling no later than the second Business Day after the satisfaction of all conditions under the Amendment Agreement (unless previously waived) or such other date as the parties to the Amendment Agreement may agree in writing
“Company”	China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to that term in the Listing Rules and “connected persons” shall be construed accordingly
“Conversion Date”	the conversion date in respect of the Restated Bonds

“Conversion Price”	the price per Share at which the Restated Bonds may be converted into Shares which will initially be approximately RMB1.84 (equivalent to approximately HK\$2.07), and which may be adjusted from time to time in accordance with the terms and conditions of the Restated Bonds
“Conversion Shares”	Shares to be allotted and issued by the Company upon conversion of the Restated Bonds
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate for the Directors to allot and issue Shares granted by the Shareholders at the annual general meeting held on 13 May 2016
“Go Power”	Go Power Investments Limited, a company incorporated in the British Virgin Islands and holds approximately 27.71% 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 5:00 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 January 2017 (or such later date as the parties may agree in writing), on or before which date all conditions precedent set out in the Amendment Agreement shall be either satisfied or duly waived

“Maturity Date”	the maturity date of the Restated Bonds, namely 21 December 2018
“Nitro”	Nitro Capital Limited, a wholly-owned subsidiary of Primavera Capital (Cayman) Fund I L.P., incorporated in the Cayman Islands
“Pioneer Top”	Pioneer Top Holdings Limited, a company incorporated in the British Virgin Islands and holds approximately 36.02% 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 fourth production plant to expand its production capacity for urea which is situated at the Northern and Eastern Side of Qinglong Road, Xinxiang Economic Development Zone, Xinxiang City, Henan Province, the PRC
“PRC”	The People’s Republic of China
“Restated Bonds”	means the Bonds as amended and restated under the Amendment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SGD Exchange Rate”	means the Bloomberg SGDCNY Currency ticker on each Business Day (as at 5:00 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
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 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
“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 5:00 p.m., New York time) prior to 28 November 2011 (being the date of the announcement of the Company relating to the Subscription Agreement) 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 Nitro had furnished 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 Singapore Exchange Securities Trading Limited for the 20 Trading Days prior to 28 November 2011 (being the date of the announcement of the Company relating to the Subscription Agreement) 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 Restated 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:

Unless otherwise stated, the following exchange rate which is used in this announcement is for information only:

RMB1.00 = HK\$1.1237 (based on the exchange rate on the close of the Trading Day preceding the date of this announcement, published by Bloomberg. For information only and assuming no change in exchange rate from the date of the Subscription Agreement, the conversion price in Hong Kong dollar would be approximately HK\$2.25, the principal amount of the Bonds would be approximately HK\$397 million and the net proceeds received by the Company from the issue of the Bonds would be approximately HK\$393 million.)

By Order of the Board

Liu Xingxu

Chairman of the Board

14 December 2016

As at the date of this announcement, the executive directors of the Company are Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Zhang Qingjin; 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*