

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 liabilities 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)

ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

On 31 December 2014, Henan XLX, a wholly-owned subsidiary of the Company, and XLX Yuyuan, a subsidiary of XLX Chem, entered into the Raw Material Purchase Agreement, pursuant to which Henan XLX agreed to purchase and XLX Yuyuan agreed to supply Raw Material from time to time during the term of the Raw Material Purchase Agreement commencing from 1 January 2015 up to and including 31 December 2015.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen (being executive Directors) collectively hold an aggregate of approximately 10.6% interest in XLX Chem and, together, they are the largest shareholders of XLX Chem. As with the case at the time of the Company's listing on the Stock Exchange, XLX Chem, its subsidiaries (including XLX Yuyuan) and associates were and remain to be deemed as the connected persons of the Company under Rule 14A.07 of the Listing Rules.

Accordingly, the transactions under the Raw Material Purchase Agreement constitute continuing connected transactions of the Company under the Listing Rules.

The relevant percentage ratios under the Listing Rules in respect of the Raw Material Purchase Agreement are more than 0.1% but less than 5%. Accordingly, the Raw Material Purchase Agreement, pursuant to Rule 14A.76 of the Listing Rules, is only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. THE RAW MATERIAL PURCHASE AGREEMENT

On 31 December 2014, Henan XLX, a wholly-owned subsidiary of the Company, and XLX Yuyuan, a subsidiary of XLX Chem, entered into the Raw Material Purchase Agreement, pursuant to which Henan XLX agreed to purchase and XLX Yuyuan agreed to supply Raw Material from time to time during the term of the Raw Material Purchase Agreement commencing from 1 January 2015 up to and including 31 December 2015.

The Raw Material Purchase Agreement will constitute continuing connected transactions for the Company and its principal terms are summarised below.

| | |
|------------------------|---|
| Date: | 31 December 2014 |
| Parties: | (i) XLX Yuyuan, a subsidiary of XLX Chem (as supplier) (ii) Henan XLX, a wholly-owned subsidiary of the Company (as purchaser) |
| Term: | From 1 January 2015 up to and including 31 December 2015. |
| Nature of Transaction: | Sale and purchase of Raw Material. The actual quantity of the Raw Material sold by XLX Yuyuan, pricing and delivery date will be specified in individual purchase orders. |
| Pricing Policy: | <p>The pricing terms shall be specified in individual purchase orders and shall be determined upon mutual agreement between XLX Yuyuan and Henan XLX with reference to prevailing market price of the Raw Material at the time the relevant purchase orders are made. Prior to the determining of each individual purchase order with XLX Yuyuan, quotations will be obtained and compared against at least three independent vendors who supply Raw Material of similar type and quality to ensure that the price charged by XLX Yuyuan is within market range (if not more favorable to the Group).</p> <p>All these pricing procedures will be assessed on a half yearly basis and passed to management for final approval to ensure the Raw Material Purchase Agreement will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders as a whole.</p> |
| Payment: | Once XLX Yuyuan accepts an order, XLX Yuyuan will issue an invoice to Henan XLX and such fees will be paid in cash by Henan XLX (using its internal resources) on the terms agreed in the order. |

B. ANNUAL CAP

The annual cap for the Raw Material Purchase Agreement for the 12 months ending 31 December 2015 will be RMB20,000,000 (approximately HK\$25,330,000). This annual cap was determined after taking into account (a) the estimated unit price of each ton of the Raw Material (which was in turn determined with reference to the average market price from three independent vendors who supply Raw Material of similar type and quality for the period from January to November 2014); and (b) the expected demand for the Raw Material during the term of the Raw Material Purchase Agreement.

C. REASONS AND BENEFITS FOR THE TRANSACTIONS

As mentioned in the Company's 2013 annual report, the Company focuses on clean coal gasification to expand coal-based chemical products and developing circular economy projects including furfuryl alcohol project. The production lines of the furfuryl alcohol project being developed by the Company are expected to commence initial production in January 2015 and will require the Raw Material as part of its production process. As a result, the entering into of the Raw Material Purchase Agreement enables the Company to procure the necessary raw material it needs for the production of furfuryl alcohol through a reliable and stable source and at a reasonable price that the parties may negotiate from time to time with reference to prevailing market price.

The Directors (including the independent non-executive Directors) are of the view that the Raw Material Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Company and that the terms of the Raw Material Purchase Agreement, including the annual cap therein, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

D. 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 and XLX Yuyuan

The XLX Chem Group is engaged in the business of producing and trading of equipment, chemical products and raw materials, and the provision of accommodation and catering services. XLX Yuyuan is primarily engaged in the production and trading of various chemical products and raw materials.

As at the date of this announcement, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen (being executive Directors) collectively hold an aggregate of approximately 10.6% interest in XLX Chem and, together, they are the largest shareholders in XLX Chem. As with the case at time of the Company's listing on the Stock Exchange, XLX Chem, its subsidiaries (including XLX Yuyuan) and associates were and remain to be deemed as the connected persons of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions under the Raw Material 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 Raw Material Purchase Agreement, no other Director has a material interest in the Raw Material Purchase Agreement or is required to abstain from voting at the board meeting of the Company.

The relevant percentage ratios under the Listing Rules in respect of the Raw Material Purchase Agreement are more than 0.1% but less than 5%. Accordingly, the Raw Material Purchase Agreement, pursuant to Rule 14A.76 of the Listing Rules, is only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

E. DEFINITIONS

The following defined terms are used in this announcement:

| | |
|--------------------|--|
| “associate” | has the meaning ascribed thereto in the Listing Rules; |
| “Company” | China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability; |
| “connected person” | has the meaning ascribed thereto in the Listing Rules; |
| “Directors” | directors of the Company; |
| “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; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the People's Republic of China; |
| “Raw Material” | furaldehyde (糠醛) which is a type of raw materials required for the production of furfuryl alcohol (糠醇); |

| | |
|-----------------------------------|---|
| “Raw Material Purchase Agreement” | the agreement dated 31 December 2014 between XLX Yuyuan and Henan XLX in relation to the supply of Raw Material by XLX Yuyuan to Henan XLX, details of which are set out in this announcement; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “ton” | a metric ton, a measurement of mass equal to 1,000 kilograms; |
| “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.07 of the Listing Rules; |
| “XLX Chem Group” | XLX Chem together with its subsidiaries and associates; |
| “XLX Yuyuan” | Xinxiang Yuyuan Chemical Co., Ltd. (新鄉市玉源化工有限公司), a company incorporated in the PRC and a subsidiary of XLX Chem; and |
| “%” | per cent. |

For illustration purposes only, the exchange rate of RMB1 = HK\$1.2665 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

31 December 2014

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

* *for identification purpose only*