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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)**

**VOLUNTARY ANNOUNCEMENT**

**LETTER OF INTENT IN RELATION TO COOPERATION IN  
THE SLOW AND CONTROLLED-RELEASE FERTILISER INDUSTRY**

The board of directors (the “**Board**”) of China XLX Fertiliser Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce that on 28 May 2016, Henan Xinlianxin Fertiliser Co., Ltd. (“**Henan XLX**”), a wholly-owned subsidiary of the Company, entered into a letter of intent (the “**Letter of Intent**”) with Kingenta Ecological Engineering Group Co., Ltd. (“**Kingenta**”) in relation to cooperation. Pursuant to the Letter of Intent, Henan XLX and Kingenta intend to cooperate in matters relating to technology and marketing in relation to slow and controlled-release fertilisers, high-nitrogen compound fertilisers and synergistic urea.

**DETAILS OF THE LETTER OF INTENT**

Pursuant to the Letter of Intent, the cooperation between the parties covers the following areas:

- (1) Product and technology cooperation: Kingenta may license the production technology of slow and controlled-release fertilisers to Henan XLX, assist Henan XLX in its construction or upgrade of the production lines of slow and controlled-release fertilisers and provide relevant technical support; Henan XLX will be responsible for the implementation of the upgrade or construction of the production lines of slow and controlled-release fertilisers, and also for the management of production facilities and quality control of products;

- (2) Marketing cooperation: Kingenta will be responsible for the establishment and management of the market, brand, channel and sales teams for slow and controlled-release fertiliser products, determining the mode of cooperation between the parties and pricing policies based on market conditions and providing support such as training; Henan XLX will be responsible for the control of production cost and quality, and may also start the setting up of the market, brand, channel and sales teams according to its strategic needs;
- (3) Channel cooperation: Henan XLX may sell and promote its own products through the designated e-commerce platform and service centre of Kingenta; Kingenta may provide various complementary agricultural products to the distributors of Henan XLX to improve the service capabilities of the distributors of Henan XLX;
- (4) Scientific research cooperation: The parties may conduct in-depth exchange and cooperation, joint scientific research and joint project application in respect of research and development and industry consolidation according to the development trend of the slow and controlled-release fertiliser industry.

In addition to the cooperation in slow and controlled-release fertilisers, the parties have also agreed to actively explore the cooperation in technology, sales and services in relation to synergistic urea and high-nitrogen compound fertilisers.

## **INFORMATION ON THE PARTIES OF THE LETTER OF INTENT**

Henan XLX is mainly engaged in the production and sales of urea, compound fertilisers, methanol and liquid ammonia. It has two production bases in Xinxiang, Henan and Xinjiang, respectively, and is one of the largest and the most cost-effective coal-based urea manufacturers in the People's Republic of China.

Kingenta is a key national high-tech enterprise engaged in the research and development, production and sales of compound fertilisers, slow and controlled-release fertilisers, water soluble fertilisers and other new type of fertilisers. It cooperates with the National Engineering Technology Research Centre for Controlled-release Fertilisers (國家緩控釋肥工程技術研究中心) and the National Engineering Research Centre for Compound Fertilisers (複合肥料國家工程研究中心), and has significant competitive advantages in terms of technology, services, brand and channels.

To the best of knowledge, information and belief of the directors of the Company, each of Kingenta and its ultimate beneficial owner(s) is independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)).

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LETTER OF INTENT**

The directors of the Company are of the view that the entering into of the Letter of Intent between the Group and Kingenta will leverage on the competitive advantages of both parties, realise a close integration of products, technology, services and market, and facilitate the optimised allocation of industry resources and highly-efficient utilisation of resources of the Group.

## **GENERAL**

This announcement is made by the Company on a voluntary basis to keep shareholders of the Company and potential investors informed of the latest business development of the Group.

**The Board hereby emphasizes that as at the date of this announcement, no binding agreement in relation to the matter regarding the cooperation has been entered into by the Group. As such, the cooperation as stated in the Letter of Intent may or may not proceed. Once such matter is materialised, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement will be made by the Company under the Listing Rules if necessary.**

By Order of the Board

**LIU Xingxu**

*Chairman of the Board*

29 May 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*