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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 issued pursuant to Rule 13.09(2) of the 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 Exchange Securities Trading Limited on 25 February 2010.

By Order of the Board
China XLX Fertiliser Ltd.
Wong Wai Han
Company Secretary

Hong Kong, 25 February 2010

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*



Supplementary information on certain balance sheet changes

Further to a request for further information by the Singapore Securities Exchange Limited ("SGX"), we would like to provide supplementary information on the following matters that affected our Group's current assets and liabilities as at December 2009 that had not been included in our earlier results announcement dated 23 February 2010 (the "Results Announcement").

(a) The SGX noted that in Paragraph 1(b)(i) of the Results Announcement that 'Bill receivable' has increased by 54.4% from RMB18.6 million in FY2008 to RMB40.7 million in FY2009. In respect of the above, the SGX has requested the Company to provide the following information:

(i) Reasons for the increase in 'Bill receivable'.

(ii) Breakdown on major items contributing to increase in 'Bill receivable'.

(i) Bills receivable increased from RMB18.6 million in FY2008 to RMB40.7 million in FY2009 mainly due to the increase in urea sales following the commencement of the third plant in April 2009 which increased the aggregate urea capacity from 720k tons to 1.25 million tons. Therefore, while the percentage of sales to distributors and industry users remained similar, the amount of urea sales to industry users increased. Some of these industry users prefer to pay us using bills receivable as they normally also receive bills receivables from their customers. We accept such bills receivables as payment because there is no liquidity risk and we would have considered the time value of money in the bills when we accepting them. There is no liquidity risk as the Group could encash the bills receivable at a discount prior to their maturity or receive the full value of the bills receivable from the bank upon their expiry.

(ii) The following is the breakdown of bills receivable by customers:

Customer	2009	2008
	RMB'000	RMB'000
河南金天化工有限公司	14,259	2,780
黑龙江北大荒种业集团有限公司	8,450	-
河南金海化工有限责任公司	7,236	5,400
安徽辉隆集团皖江农资有限公司	5,564	-
河南金大地化工有限公司	4,598	-



砀山县利达商贸有限公司	-	1,810
连云港通航农资有限公司	-	2,000
东海县港埠心连心农资经营部	-	6,000
河南新乡华星药厂	-	500
Others	600	90
	<u>40,708</u>	<u>18,580</u>

(b) The SGX noted that in Paragraph 1(b)(i) of the Results Announcement that 'Deposits and other receivable' has increased by 83.5% from RMB6.1 million in FY2008 to RMB36.9 million in FY2009. In respect of the above, the SGX has requested the Company to provide the following information:

- (i) Reasons for the increase in 'Deposits and other receivable'.
- (ii) Breakdown on major items contributing to increase in 'Deposits and other receivable'.

(i) Deposits and other receivable increased from RMB6.1 million in FY2008 to RMB36.9 million in FY2009 due to the increase in VAT receivables of RMB31.6 million. VAT receivables increased due to the economic stimulus package introduced in 2009 which allowed the Group to claim for input VAT for fixed assets purchases. Such VAT receivables are generally used to offset future output VAT.

(ii) The following is the breakdown of deposits and other receivable which takes into account the increase in VAT receivables:

	2009	2008
	RMB'000	RMB'000
Deposits	-	17
Advances to employees	-	1,560
Interest receivables	-	1,492
VAT receivables	31,609	-
Others	5,262	3,025
	<u>36,871</u>	<u>6,094</u>

(c) The SGX noted that in Paragraph 1(b)(i) of the Results Announcement that 'Bill payable' has increased from nil in FY2008 to RMB41.3 million in FY2009. In respect of the above, the SGX has requested the Company to provide the following information:

- (i) Reasons for the increase in 'Bill payable'.
- (ii) Breakdown on major items contributing to increase in 'Bill payable'

(i) Bills payable increased from nil in December 2008 to RMB41.3 million in December



2009 as the Group drew down on such banking facilities, which were given as payment to suppliers in lieu of cash payment for materials. We could do this as the economic conditions were difficult in 2009 and suppliers were willing to accept our bills payable. As the Group's bills payable have an average maturity period of 90 to 180 days and are interest-free, this arrangement is advantageous to the Group.

(ii) The following is the breakdown of bills payable by bank.

Bank	2009	2008
	RMB'000	RMB'000
China of Construction Bank	4,740	-
Everbright Bank	36,606	-
	<u>41,346</u>	<u>-</u>