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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)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

The Board of Directors (the “**Board**”) of China XLX Fertiliser Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2014 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Revenue	4	5,081,748	3,968,946
Cost of sales		(4,182,984)	(3,221,247)
Gross profit		898,764	747,699
Other income and gains	4	56,272	26,302
Selling and distribution expenses		(197,946)	(82,242)
General and administrative expenses		(242,789)	(275,984)
Other expenses		(10,976)	(9,079)
Finance costs	5	(218,020)	(95,073)
Profit before tax	6	285,305	311,623
Income tax expense	7	(48,579)	(52,230)
Profit for the year		236,726	259,393
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value		(2,525)	3,622
Other comprehensive income/(loss) for the year		(2,525)	3,622
Total comprehensive income for the year		234,201	263,015
Profit attributable to:			
Owners of the parent		240,796	264,052
Non-controlling interest		(4,070)	(4,659)
		236,726	259,393
Total comprehensive income attributable to:			
Owners of the parent		238,271	267,674
Non-controlling interest		(4,070)	(4,659)
		234,201	263,015
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB cents)	9	20.48	22.45

Details of the dividend proposed for the year are disclosed in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

		31 December	Group	
		2014	31 December	1 January
	<i>Notes</i>	RMB'000	2013	2013
			<i>RMB'000</i>	<i>RMB'000</i>
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	10	6,907,271	4,735,403	3,019,025
Prepaid land lease payments		195,385	171,446	175,290
Goodwill		6,950	6,950	6,950
Coal mining right		39,594	41,232	41,955
Available-for-sale investments		13,298	7,500	7,500
Prepayments for purchases of items of property, plant and equipment		278,022	687,469	721,626
Deferred tax assets		11,050	8,663	4,706
Total non-current assets		<u>7,451,570</u>	<u>5,658,663</u>	<u>3,977,052</u>
Current assets				
Due from a related company		–	1,907	1,760
Available-for-sale investments		–	8,323	4,701
Inventories		340,638	261,377	432,366
Trade and bills receivables	11	36,360	13,469	17,260
Prepayments		266,240	186,930	140,630
Deposits and other receivables		348,304	198,995	49,080
Income tax recoverable		20,255	26,446	3,858
Pledged time deposits		491,713	148,961	12,900
Cash and cash equivalents		633,389	797,813	477,610
Total current assets		<u>2,136,899</u>	<u>1,644,221</u>	<u>1,140,165</u>
TOTAL ASSETS		<u>9,588,469</u>	<u>7,302,884</u>	<u>5,117,217</u>
Current liabilities				
Due to a related company		1,704	–	135
Trade payables	12	95,574	88,171	110,773
Bills payable	13	906,765	260,143	25,800
Accruals and other payables		1,344,779	829,368	422,437
Income tax payable		4	4	4
Deferred grants		4,985	4,892	3,596
Interest-bearing bank and other borrowings		429,410	134,983	172,000
Short-term bond payable		–	300,000	300,000
Total current liabilities		<u>2,783,221</u>	<u>1,617,561</u>	<u>1,034,745</u>
NET CURRENT ASSETS/ (CURRENT LIABILITIES)		<u>(646,322)</u>	<u>26,660</u>	<u>105,420</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,805,248</u>	<u>5,685,323</u>	<u>4,082,472</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

31 December 2014

	31 December	Group	
	2014	31 December	1 January
	RMB'000	2013	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)	(Restated)
Non-current liabilities			
Interest-bearing bank and other borrowings	3,595,109	2,837,832	1,679,485
Deferred grants	37,420	33,026	23,474
Deferred tax liabilities	48,902	50,216	51,081
Other payables	361	398	–
Long-term bond payable	450,000	250,000	–
	<u>4,131,792</u>	<u>3,171,472</u>	<u>1,754,040</u>
Total non-current liabilities			
	4,131,792	3,171,472	1,754,040
TOTAL LIABILITIES	6,915,013	4,789,033	2,788,785
	<u>6,915,013</u>	<u>4,789,033</u>	<u>2,788,785</u>
NET ASSETS	2,673,456	2,513,851	2,328,432
	<u>2,673,456</u>	<u>2,513,851</u>	<u>2,328,432</u>
Equity attributable to owners of the parent			
Issued capital	881,124	881,124	881,124
Convertible bonds	322,436	322,436	322,436
Revaluation reserve	1,097	3,622	–
Statutory reserve fund	229,180	199,295	167,873
Retained profits	1,181,118	1,044,803	886,769
Proposed final dividend	60,000	60,000	63,000
	<u>2,674,955</u>	<u>2,511,280</u>	<u>2,321,202</u>
Non-controlling interest	(1,499)	2,571	7,230
	<u>(1,499)</u>	<u>2,571</u>	<u>7,230</u>
Total equity	2,673,456	2,513,851	2,328,432
	<u>2,673,456</u>	<u>2,513,851</u>	<u>2,328,432</u>
TOTAL EQUITY AND LIABILITIES	9,588,469	7,302,884	5,117,217
	<u>9,588,469</u>	<u>7,302,884</u>	<u>5,117,217</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. CORPORATION INFORMATION

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares were dually primary-listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and The Stock Exchange of Hong Kong Limited (the “**SEHK**”). On 12 August 2014, the Company’s shares were delisted from the Official List of the Mainboard of SGX-ST. The Company’s shares is listed only on the SEHK since then. The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore, 068898. The principal place of business of the Group is located at Xinxiang High Technology Development Zone (Xiaoji Town), Henan Province, the People’s Republic of China (the “**PRC**”). The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are mainly manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution.

2. BASIS OF PREPARATION

The Group had consolidated net current liabilities of approximately RMB646 million as at 31 December 2014. After taking into account the available unutilised banking facilities, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance.

For all periods up to and including the year ended 31 December 2013, the Group prepared its consolidated financial statements in accordance with Singapore Financial Reporting Standards. These consolidated financial statements for the year ended 31 December 2014 are the first year the Group prepared in accordance with IFRSs. Accordingly, the consolidated financial statements for the year ended 31 December 2014, together with the comparative period data as at and for the year ended 31 December 2013 have been prepared in compliance with the IFRSs applicable in the respective years.

The date of transition applicable to the Group is 1 January 2013.

2. BASIS OF PREPARATION (Continued)

The following reconciliation illustrates the measurement and recognition differences in restating equity reported under SFRSs to IFRSs for the dates and years indicated.

	Issued capital <i>RMB'000</i>	Convertible bonds <i>RMB'000</i>	Available- for-sale investment revaluation reserve <i>RMB'000</i>	Statutory reserve fund <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Proposed final dividend <i>RMB'000</i>	Non- controlling interest <i>RMB'000</i>	Total equity <i>RMB'000</i>
As at 31 December 2014								
Total equity under SFRSs	836,671	322,436	1,097	229,180	1,225,571	60,000	(1,499)	2,673,456
Share issue expenses (<i>note</i>)	44,453	–	–	–	(44,453)	–	–	–
Total equity under IFRSs	<u>881,124</u>	<u>322,436</u>	<u>1,097</u>	<u>229,180</u>	<u>1,181,118</u>	<u>60,000</u>	<u>(1,499)</u>	<u>2,673,456</u>
As at 31 December 2013								
Total equity under SFRSs	836,671	322,436	3,622	199,295	1,089,256	60,000	2,571	2,513,851
Share issue expenses (<i>note</i>)	44,453	–	–	–	(44,453)	–	–	–
Total equity under IFRSs	<u>881,124</u>	<u>322,436</u>	<u>3,622</u>	<u>199,295</u>	<u>1,044,803</u>	<u>60,000</u>	<u>2,571</u>	<u>2,513,851</u>
As at 1 January 2013								
Total equity under SFRSs	836,671	322,436	–	167,873	931,222	63,000	7,230	2,328,432
Share issue expenses (<i>note</i>)	44,453	–	–	–	(44,453)	–	–	–
Total equity under IFRSs	<u>881,124</u>	<u>322,436</u>	<u>–</u>	<u>167,873</u>	<u>886,769</u>	<u>63,000</u>	<u>7,230</u>	<u>2,328,432</u>

Note: The difference is caused by the deduction from equity of share issue expenses relating to the listing of both new shares and existing shares in accordance with the Recommended Accounting Practice in Singapore while IFRSs require share issue expenses to be allocated to new shares and existing shares and charged to equity and profit or loss, respectively.

The difference is brought forward from the listing of shares in 2009 and there is no difference between SFRSs and IFRSs thereafter.

The transition to IFRSs did not have any impact on the Group's performance and cash flows for the year ended 31 December 2014, so other reconciliations are not presented.

These financial statements have been prepared on a historical cost basis, except for an available-for-sale investment, which has been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values in the tables are rounded to the nearest thousand (“RMB'000”) except when otherwise indicated.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products, and has the following operating segments as follows:

- Manufacturing and sale of urea
- Manufacturing and sale of compound fertiliser
- Manufacturing and sale of methanol
- Manufacturing and sale of other products such as crude methanol, liquid ammonia and ammonia solution

An analysis by principal activity of contribution to the results is as follows:

For the year ended		Compound				
31 December 2014	Urea	fertiliser	Methanol	Others	Elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales to external customers	3,005,077	1,245,740	672,404	158,527	–	5,081,748
Intersegment sales	118,441	27,376	1,579	178,389	(325,785)	–
Total revenue	<u>3,123,518</u>	<u>1,273,116</u>	<u>673,983</u>	<u>336,916</u>	<u>(325,785)</u>	<u>5,081,748</u>
Segment profit	497,417	195,157	168,067	38,123	–	898,764
Interest income						14,657
Unallocated other income and gains						41,615
Unallocated expenses						(451,711)
Finance costs						(218,020)
Profit before tax						285,305
Income tax expense						(48,579)
Profit for the year						<u>236,726</u>
Other segment information:						
Loss on disposal of items of property, plant and equipment						3,311
Depreciation of items of property, plant and equipment						324,363
Amortisation of prepaid land lease payments						4,434
Amortisation of coal mining right						<u>1,638</u>

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2013	Urea <i>RMB'000</i>	Compound fertiliser <i>RMB'000</i>	Methanol <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Sales to external customers	2,257,520	1,095,927	601,492	14,007	–	3,968,946
Intersegment sales	81,357	–	2,228	172,376	(255,961)	–
Total revenue	<u>2,338,877</u>	<u>1,095,927</u>	<u>603,720</u>	<u>186,383</u>	<u>(255,961)</u>	<u>3,968,946</u>
Segment profit	498,427	119,220	127,526	2,526	–	747,699
Interest income						3,847
Unallocated other income and gains						22,455
Unallocated expenses						(367,305)
Finance costs						<u>(95,073)</u>
Profit before tax						311,623
Income tax expense						<u>(52,230)</u>
Profit for the year						<u><u>259,393</u></u>
Other segment information:						
Loss on disposal of items of property, plant and equipment						5,191
Depreciation of items of property, plant and equipment						183,455
Amortisation of prepaid land lease payments						3,844
Amortisation of coal mining right						<u><u>1,603</u></u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts. An analysis of the Group's revenue, other income and gains is as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
REVENUE		
Sale of goods	<u>5,081,748</u>	<u>3,968,946</u>
OTHER INCOME AND GAINS		
Bank interest income	14,657	3,847
Net profit from sale of by-products	25,770	10,747
Amortisation of deferred grants	3,673	1,121
Subsidy income	5,055	3,184
Compensation income	6,801	–
Realised exchange gain	–	6,865
Others	316	538
	<u>56,272</u>	<u>26,302</u>

5. FINANCE COSTS

The Group's finance costs are analysed as follows:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Interest on bank loans, overdrafts, other loans and bonds, wholly repayable within five years	242,520	164,550
Interest on government loans	<u>210</u>	<u>243</u>
	242,730	164,793
Less: Interest capitalised	<u>(24,710)</u>	<u>(69,720)</u>
	<u>218,020</u>	<u>95,073</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Cost of inventories sold	<u>4,182,984</u>	<u>3,221,247</u>
Depreciation of items of property, plant and equipment	324,363	183,455
Amortisation of prepaid land lease payments	4,434	3,844
Amortisation of coal mining right	1,638	1,603
Minimum lease payments under operating leases:		
Land	1,422	1,319
Buildings	<u>2,239</u>	<u>1,066</u>
	<u>3,661</u>	<u>2,385</u>
Auditors' remuneration	1,466	1,322
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	306,837	203,336
Contribution to defined contribution plans	16,111	5,667
Welfare expenses	<u>17,486</u>	<u>25,044</u>
	<u>340,434</u>	<u>234,047</u>
Unrealised exchange loss, net	5,825	144
Loss on disposal of items of property, plant and equipment	<u>3,311</u>	<u>5,191</u>

7. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% (2013: 17%) for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The Company's subsidiaries in Mainland China are subject to an income tax rate of 25% (2013: 25%). In the prior year, one of the subsidiaries in Mainland China was awarded the New/High Tech Enterprise Award as recognition of its innovation and use of state-of-the-art equipment. This award brought this subsidiary a tax concession of a lower income tax rate (i.e., 15%) for the year ended 31 December 2014, year ending 31 December 2015 and year ending 31 December 2016.

The major components of income tax expense for the financial years ended 31 December 2013 and 2014 are:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Current – PRC		
Charge for the year	53,665	56,272
Under/(Over) provision in respect of previous years	(1,385)	780
Deferred	<u>(3,701)</u>	<u>(4,822)</u>
Total tax charge for the year	<u>48,579</u>	<u>52,230</u>

8. DIVIDEND

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Proposed final dividend – RMB6.00 cents (2013: RMB6.00 cents) per ordinary share	<u>60,000</u>	<u>60,000</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued during the year) of 1,176,000,000 (2013: 1,176,000,000), as adjusted to reflect the convertible bonds issued in 2011.

The calculations of basic and diluted earnings per share are based on the following data:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>240,796</u>	<u>264,052</u>
	2014 <i>Number of shares</i>	2013 <i>Number of shares</i>
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) for the purpose of calculating basic and diluted earnings per share	<u>1,176,000,000</u>	<u>1,176,000,000</u>

10. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND PREPAYMENTS

The Group's capital expenditure in respect of property, plant and equipment and prepaid land lease payments for the year ended 31 December 2014 amounted to approximately RMB1,630 million. The capital expenditure primarily consisted of the following:

	2014 <i>RMB' million</i>
Upgrades of existing production facilities (<i>note 1</i>)	204
Construction of Production Plant III	5
Expansion of Xinjiang Xinlianxin Energy Chemical Co., Ltd (<i>note 2</i>)	1,084
Construction of Production Plant IV (<i>note 3</i>)	288
Land use rights and buildings	49
Total	<u>1,630</u>

Notes:

1. The capital expenditure of upgrades of existing production facilities are mainly to improve the production efficiency and reduce the production cost of the Company. The existing production facilities include production plant I, production plant II, production plant III, production plant IV and compound fertiliser production plant.
2. Xinjiang Xinlianxin Energy Chemical Co., Ltd (“**Xinjiang XLX**”) is a wholly-owned subsidiary of Henan Xinlianxin Fertiliser Co., Ltd. (河南心連心化肥有限公司), which is a wholly-owned subsidiary of the Company. Xinjiang XLX is principally engaged in the manufacturing, sales and trading of urea, compound fertiliser, melamine, liquid ammonia and ammonia solution in Xinjiang Province, PRC. 瑪納斯天利煤業有限責任公司 (“**Tianli**”) is a wholly-owned subsidiary of Xinjiang XLX and is principally engaged in coal mining and sales of coal.
3. The construction of production plant 4 (“**Production Plant IV**”) was completed in December 2013. Production Plant IV is an extension of Production Plants II and III and will have a designed annual capacity of approximately 800,000 tons of urea.

11. TRADE AND BILLS RECEIVABLES

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Trade receivables	<u>31,790</u>	<u>9,572</u>
Bills receivable	<u>4,570</u>	<u>3,897</u>

Trade receivables are non-interest-bearing and are normally settled on terms of 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's bills receivable are non-interest-bearing and are normally settled on terms of 90 to 180 days. Trade and bills receivables are denominated in RMB.

The Group's trading terms with its customers are mainly payment in advance or on credit for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	3,267	2,152
1 to 3 months	3,479	819
3 to 6 months	8,700	2,372
6 to 12 months	15,921	3,990
Over 12 months	423	239
	<u>31,790</u>	<u>9,572</u>

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	67,929	66,288
1 to 3 months	12,772	11,115
3 to 6 months	3,811	4,504
6 to 12 months	6,008	2,143
Over 12 months	5,054	4,121
	<u>95,574</u>	<u>88,171</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. Trade payables are denominated in RMB.

13. BILLS PAYABLE

The Group's bills payable have an average maturity period of 90 to 180 days and are interest-free. Bills payable are denominated in RMB and are secured by time deposits of RMB491,713,000 (2013: RMB148,961,000).

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Revenue

Revenue for the financial year ended 31 December 2014 (“FY2014”) increased by approximately RMB1,113 million or approximately 28% from approximately RMB3,969 million in the financial year ended 31 December 2013 (“FY2013”) to approximately RMB5,082 million. Such increase was mainly due to the increase in sales volume of urea, methanol and compound fertiliser.

Urea

Revenue derived from the sales of urea increased by approximately RMB747 million or approximately 33.1% from approximately RMB2,258 million in FY2013 to approximately RMB3,005 million in FY2014. The sales volume of urea was increased by approximately 60% in FY2014. Such increase was mainly due to the commencement of production of the Production Plant IV. The increase in sales volume was partially offset by the decrease in average selling prices of urea of approximately 17%.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB71 million or approximately 12% from approximately RMB601 million in FY2013 to approximately RMB672 million in FY2014. Such increase was mainly due to the increase in the sales quantity by approximately 44% despite the decrease in the average selling prices of methanol of approximately 11%. The increase in sales volume of methanol was mainly due to the adjustment of production plan between urea and methanol to produce more methanol in order to achieve better financial results.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB150 million or approximately 13.7% from approximately RMB1,096 million in FY2013 to approximately RMB1,246 million in FY2014. Such increase was mainly due to the increase in sales volume of approximately 24% from the expansion of sales network. The increase was partially offset by the decline in the average selling prices of compound fertiliser of approximately 8%.

Profitability

Overall profit margin decreased from 18.8% in FY2013 to 17.7% in FY2014 due to the decrease in urea gross profit margin.

(I) BUSINESS REVIEW *(Continued)*

Profitability *(Continued)*

Urea

Gross profit margin of urea decreased from approximately 22.1% in FY2013 to 16.6% in FY2014 due to the lower average selling prices of urea in FY2014 which was decreased by approximately 17% as compared against that of FY2013. The decrease in average selling prices was partially offset by the decrease in average cost of sales of approximately 11%.

Methanol

Gross profit margin for methanol increased from approximately 21.2% in FY2013 to 25% in FY2014 despite the decrease in the average selling prices of methanol of approximately 11% in FY2014. This was due to the lower coal prices which cut down the average cost of sales for methanol by about 16% in FY2014 as compared against that in FY2013.

Compound fertiliser

Gross profit margin for compound fertiliser increased from approximately 10.9% in FY2013 to 15.7% in FY2014. This was mainly due to the decrease in average cost of sales of compound fertiliser by approximately 13% resulted from the decline of raw material prices. The increase of gross profit margin was partially offset by the decrease in average selling prices of approximately 8%.

Other income and gains

Other income and gains increased by approximately RMB30 million from approximately RMB26 million in FY2013 to approximately RMB56 million in FY2014 mainly due to the increase of bank interest income, sale of by-products and compensation income of approximately RMB11 million, RMB15 million and RMB7 million respectively in FY2014. The increase was partially offset by the decrease in realised exchange gain of approximately RMB7 million due to the depreciation of RMB against United States Dollar.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB116 million from approximately RMB82 million in FY2013 to approximately RMB198 million in FY2014. Such increase was mainly due to the increase of salaries, transportation and loading expenses, advertisement expenses, travelling expenses and material costs of approximately RMB24 million, RMB40 million, RMB35 million, RMB3 million and RMB3 million respectively. The increase of advertisement expenses was due to the reclassification of advertisement expenses from general and administrative expenses, which the Group put more emphasis on promoting the products instead of promoting the brand of the Group in the current year. The increase in other expenses is mainly due to the strong expansion of the Group's sales networks and the increase of sales volumes.

(I) BUSINESS REVIEW (Continued)

General and administrative expenses

General and administrative expenses decreased by approximately RMB33 million or 12% from approximately RMB276 million in FY2013 to approximately RMB243 million in FY2014. The decrease was mainly due to the decrease in advertisement expenses and director remuneration cost by approximately RMB37 million and RMB5 million respectively. The decrease was partially offset by the increase in depreciation cost and environmental expenses of approximately RMB5 million and RMB4 million respectively.

Other expenses

Other expenses increased by approximately RMB2 million from approximately RMB9 million in FY2013 to approximately RMB11 million in FY2014 mainly due to the increase in unrealised exchange loss of approximately RMB6 million. The increase was partially offset by the decrease in loss on disposal of items of property, plant and equipment and donations expenses by approximately RMB2 million and RMB2 million respectively.

Finance costs

Finance costs increased by approximately RMB123 million or 129% from approximately RMB95 million in FY2013 to approximately RMB218 million in FY2014. The increase was due to more interest-bearing bank and other borrowings incurred in FY2014 as compared against FY2013.

Income tax expense

Income tax expense decreased by approximately RMB3 million or 6% from approximately RMB52 million in FY2013 to approximately RMB49 million in FY2014 due to lower taxable profits.

Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by approximately RMB23 million or 8.7% from approximately RMB264 million in FY2013 to approximately RMB241 million in FY2014. This was mainly due to the increase in selling and distribution expenses and finance costs of approximately RMB116 million and RMB123 million respectively. The decrease in profit attributable to owners of the parent in FY2014 was partially offset by the increase in gross profit of RMB151 million and the decrease in general and administrative expenses and income tax expense of approximately RMB33 million and RMB3 million respectively.

Important event since the end of FY2014

On 10 February 2015, Xinjiang XLX, as purchaser, and Mr. Liu Jianguo* (劉建國), as vendor, entered into a sale and purchase agreement (the “**Sale and Purchase Agreement**”) in relation to the acquisition of 100% equity interest in Manas Tianxin Coal Co., Ltd.* (瑪納斯縣天欣煤業有限公司), a company established in the PRC (the “**Target Company**”), for a cash consideration of RMB94,440,000 (equivalent to approximately HK\$117,105,600). Pursuant to the Sale and Purchase Agreement, Xinjiang XLX has made an initial payment of RMB37,210,000 (equivalent to approximately HK\$46,140,400) to Mr. Liu Jianguo* (劉建國) within five business days from the date of the Sale and Purchase Agreement and the remaining payment of RMB57,230,000 (equivalent to approximately HK\$70,965,200) will be made within six months after the completion of the registration of the change of equity ownership of the Target Company with the local State Administration for Industry and Commerce of the PRC.

(II) FINANCIAL REVIEW

Gearing

The Group monitors capital using a gearing ratio, which is net debt divided by the aggregate of total capital and net debt. The Group's policy is to keep the gearing ratio below 90%.

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Due to a related company	1,704	–
Trade payables	95,574	88,171
Bills payable	906,765	260,143
Accruals and other payables	1,344,779	829,368
Interest-bearing bank and other borrowings	4,024,519	2,972,815
Short-term bond payable	–	300,000
Other payables	361	398
Long-term bond payable	450,000	250,000
Less: Cash and cash equivalents	(633,389)	(797,813)
Pledged time deposits	(491,713)	(148,961)
Net debt	<u>5,698,600</u>	<u>3,754,121</u>
Equity attributable to owners of the parent	2,674,955	2,511,280
Less: Statutory reserve fund	(229,180)	(199,295)
Total capital	<u>2,445,775</u>	<u>2,311,985</u>
Capital and net debt	<u>8,144,375</u>	<u>6,066,106</u>
Gearing ratio	<u>69.97%</u>	<u>61.9%</u>

(II) FINANCIAL REVIEW (Continued)

Gearing (Continued)

Net debt includes interest-bearing bank and other borrowings, short-term and long-term bonds payable, trade and bills payables, amounts due to a related company, accruals and other payables, less cash and cash equivalents and pledged time deposits. Capital includes equity attributable to the owners of the parent less the statutory reserve fund.

Loans

Amounts payable in one year or less, or on demand

	As at 31 December 2014		As at 31 December 2013	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	210,056	219,354	94,983	40,000
Short-term bond payable	—	—	—	300,000
	<u>210,056</u>	<u>219,354</u>	<u>94,983</u>	<u>340,000</u>

Amounts payable after one year

	As at 31 December 2014		As at 31 December 2013	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	—	3,589,654	—	2,831,468
Loan from the government	—	5,455	—	6,364
Long-term bond payable	—	450,000	—	250,000
	<u>—</u>	<u>4,045,109</u>	<u>—</u>	<u>3,087,832</u>

Details of collateral

As at 31 December 2014, the Group had a short-term loan of approximately RMB210 million (2013: RMB95 million) secured by pledged time deposits.

(III) PROSPECTS

The Company's newly commenced Production Plant IV has adopted the most advanced technology. After running in and a whole year of stable production in 2014, its operation efficiency has reached the top level in the industry, enhancing the Company's advantage in cost-effectiveness and use of technology.

With the implementation of a product differentiation strategy, we have enhanced our research and development capabilities and increased the proportion of high-efficiency fertilisers in our sales in order to increase the profitability and competitiveness of our fertiliser products. After two years of demonstration and promotion, the sales of high-efficiency fertilisers have been increased continuously. The Company jointly developed a series of high-efficiency fertilisers with the Chinese Academy of Sciences, such as endoplasmic coated control release fertiliser, humic acid fertiliser and polyaspartic-based fertiliser etc. The development and sales of these high-efficiency fertilisers will help the Company to overcome the impact of the industry cyclical changes. Our national class nitrogen fertiliser research centre has been approved and is under construction. When this comes into operation, the Company's technology advantage and research and development capability of high-efficiency fertilisers will be further improved.

The Company is transforming its marketing strategy to adoption of e-commerce and O2O distribution to strengthen our sales and customer services.

For the first half of 2015, the domestic urea market is expected to improve somewhat compared to the sluggish urea market of last year: 1. low inventory in the market; 2. support from the new export tariff of urea; 3. during the industry consolidation, more obsoleted urea capacity will be forced out from the market; 4. since domestic coal prices will remain at a relatively low level, there should not be much material upstream pressure on our urea and methanol products.

(IV) PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB6.00 cents per share for the year ended 31 December 2014 (the "**Proposed Final Dividend**") (2013: RMB6.00 cents per share), subject to the shareholders' approval at the forthcoming annual general meeting of the Company. The Company will further announce details of the Proposed Final Dividend, the annual general meeting and the period of closure of the Company's register of members for determining the entitlement to the Proposed Final Dividend in due course.

(V) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

The major market risks of the Group include changes in the average selling prices of key products, changes in the costs of raw materials (mainly coal) and fluctuations in interest and exchange rates.

(V) SUPPLEMENTARY INFORMATION (Continued)

1. Operational and Financial Risks (Continued)

(ii) *Commodity Price Risk*

The Group is also exposed to commodity price risk arising from fluctuations in product sale prices and costs of raw materials.

(iii) *Interest Rate Risk*

The major market interest rate risk that the Group is exposed to includes the Group's long-term debt obligations which are subject to floating interest rates.

(iv) *Foreign Exchange Risk*

The Group's revenue and costs are primarily denominated in RMB. Some costs may be denominated in Hong Kong dollars, United States dollars or Singapore dollars.

(v) *Inflation and Currency Risk*

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by approximately 2.0% in the year ended 31 December 2014 as compared with an increase of approximately 2.6% in 2013. Such inflation in the PRC did not have a significant effect on the Group's operating results.

(vi) *Liquidity Risk*

The Group monitors its risk exposure to shortage of funds. The Group regularly reviews the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 31 December 2014, approximately RMB429 million (31 December 2013: RMB135 million), or approximately 10.7% (31 December 2013: 4.5%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings reflected in the financial statements.

(vii) *Gearing Risk*

The Group monitors its capital ratios in order to support its business and maximise shareholder's value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013. The gearing ratio of the Group (calculated as net debt divided by the aggregate of total capital and net debt) increased from approximately 61.9% as at 31 December 2013 to approximately 69.97% as at 31 December 2014.

(V) **SUPPLEMENTARY INFORMATION** *(Continued)*

2. Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities (2013: Nil).

3. Material Litigation and Arbitration

As at 31 December 2014, the Group was not involved in any litigation or arbitration.

4. Scope of Work of Ernst & Young

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

5. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

6. Compliance with the Corporate Governance Code

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the year ended 31 December 2014, except for code provision A.2.1:

Code provision A.2.1 stipulates that the roles of chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. Liu Xingxu has been the Chairman of the Board and Chief Executive Officer since the incorporation of the Company. The Board considers such structure beneficial to the Group as the Board believes that Mr. Liu Xingxu, who has extensive experience in the industry, can provide the Company with strong and consistent leadership and visions and also allows for effective and efficient planning and implementation of business decisions and strategies. He also ensures timeliness of information flow between the Board and management.

In addition, the directors of the Company are of the view that the balanced composition of executive and non-executive directors (including independent non-executive directors) on the Board and the existence of various Board committees (comprising, all or a majority of independent directors) in overseeing different aspects of the Company's affairs, are adequate safeguards to ensure a balance of power and authority.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the directors of the Company. The Board confirms that, having made specific enquiries with all directors of the Company, all directors have complied with the required standards of the Model Code during the year ended 31 December 2014.

8. Purchase, Sales or Redemption of the Company’s Securities

For the year ended 31 December 2014, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the securities of the Company.

9. Employees and Remuneration Policy

As at 31 December 2014, there were 5,588 (2013: 5,026) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

10. Disclosure on the Website of the SEHK

This announcement is published on the website of the SEHK (<http://www.hkex.com.hk>) and on the website of the Company (<http://www.chinaxlx.com.hk>).

By Order of the Board
China XLX Fertiliser Ltd.
Yan Yunhua
Executive Director and Chief Financial Officer

27 March 2015

As at the date of announcement, the executive directors of the Company are Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Zhang Qingjin; the non-executive director of the Company is Mr. Lian Jie; and the independent non-executive directors of the Company are Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin.

** For identification purpose only*