China XLX Fertiliser Ltd.
中國心連心化肥有限公司*

(Incorporated in Singapore with limited liability)

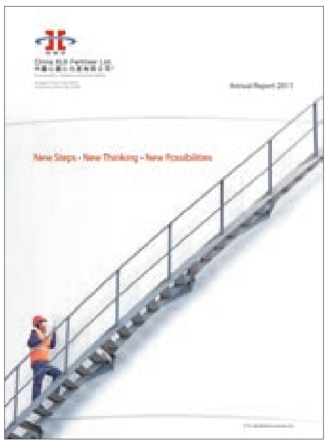
Singapore Stock Code: B9R.SI
Hong Kong Stock Code: 01866

Annual Report 2011

New Steps • New Thinking • New Possibilities

* For identification purpose only

To know more about China XLX, please simply scan this QR code with your smartphone right away.



With this Annual Report, China XLX Fertilizer Ltd. ("**China XLX**" or the "**Company**") hopes to share the essence of our potential and success with all our stakeholders. Since establishment, our unique corporate culture and values have fueled significant growth of the Company.

The slogan –
New Steps • New Thinking • New Possibilities
is an expression of our aspirations. The image of a dedicated employee climbing up a ladder evokes the company's continual ascent as we are committed to improving the quality of life with our ingrained corporate values. All this would not be possible if not for the passionate support from the company's most treasured resource –
Our People.

Contents

We attribute our achievements and breakthroughs to our dedicated team at China XLX. The team is committed to uphold the vision with integrity, discipline and strong commitment.

China XLX Culture

Manager of Production Management Department, serving the Company for over 20 years

My name is Ji Xuejiang. Many employees who are shareholders like me, are proud to have witness the Company's journey from a state-owned enterprise to a privately owned corporate through MBO in 2003.

A rookie in the Vapour Workshop of the Fourth Plant, serving the Company for 1 year

My name is Zhang Pei. From the day I started as a new recruit in military training, the weekly national flag raising ceremony, an entire year of drills and morning exercise; I am now a part of the elite team.

Director of the Computer Centre, serving the Company for over 5 years

My name is Han Xiaotao. Due to personal reasons, I left the Company for two years. Even in my absence, my heart still thinks fondly of the Company. I am glad that I am back with my team today.

Executive Director, serving the Company for over 40 years

My name is Li Buwen. My pride in serving the Company started when I joined at 18 years old. In these 40 years, I bear witness to the steady and rapid growth of the business. The Company that I serve now at 58 years old has evolved from a 30,000-ton county-level nitrogen fertilizer manufacturer to an overseas-listed enterprise with an annual revenue of approximately RMB4 billion.

Executive Director and Chief Financial Officer, serving the Company for over 15 years

My name is Yan Yunhua. My colleagues at China XLX are key contributors to a fulfilling and enjoyable 15 years with the Company. We continually encourage each other to keep improving.

Chairman and Chief Executive Officer, serving the Company for over 18 years

My name is Liu Xingxu. I wish every hardworking colleague at China XLX to be happy. I look forward to sharing our fruits of success with all of you.

China XLX Culture

Integrity

China XLX establishes its corporate culture upon integrity.

Establishing strong relationships, based on trust and integrity, is how we believe a strong and long standing corporation will be built.

China XLX Culture

Discipline

A consistent and high level of safety consciousness, our only guarantee for continual productivity.

A round the clock chemical production process, a strong physique is not all it takes. To ensure safety in operation, it is also imperative to be highly disciplined, efficient and alert.

China XLX Culture

Committed

Our dedicated team places strong emphasis on innovation and self-initiative.

With approximately 30% China XLX total issued shares held by almost 50% of our employees, the team makes it their priority to be innovative, improve efficiency, contribute to costs savings, so as to achieve higher profits for the Company.

China XLX Culture

Vision

Our common goal for the next 100 years starts here.

Our people are united across all levels of management and staff. We have our sights set on the future, boosting production capacity, developing new products, breaking into new markets and integrating our industry value chain. This can ensure the sustainability and steady growth of our business.

A Letter to Investors

Our Group's objective is not to become the biggest fertiliser manufacturer, but instead the most profitable coal-based urea manufacturer in the fertiliser industry and the most influential, competitive and respected coal chemical enterprise group in China.

Mr. LIU Xingxu
Chairman

We achieved major breakthroughs in various fronts including industry value chain consolidation, research and development, and business operation and expansion in 2011.

Dear Valued Investors,

Thank you very much for your support and interest for China XLX Fertiliser Ltd. ("**China XLX**" or the "**Company**" or together with its subsidiaries, referred to as the "**Group**"). It is my great honour to report to you the achievements and progress we made in 2011, and present to you our vision and plans for the new year in this 2011 Annual Report of the Group.

In 2011, China XLX attained satisfying operating results, which is attributable to the joint efforts of the management and staff as a whole. Sales revenues and net profits increased by 29% and 25% respectively as compared with the previous year. After taking into account the shareholders' benefits and return, the Board of the Directors of the Company decided, to declare a final dividend of RMB0.037 per share for the year ended 31 December 2011, representing an year-on-year increase of 23%.

2011 was a difficult year for the urea industry but we also saw signs of recovery and consolidation. As a leading enterprise in the coal-based urea industry, we are pleased to see the coal prices stabilising and the elimination of the negative impacts from electricity output constraints due to the government's energy-saving and emission-reduction policies. On the other hand, demand for urea and compound fertiliser continued to grow stably and average selling prices were on a gradual rise. While there were net additions to production capacities in the fertiliser sector, inefficient production capacities were being phased out at a quicker pace. All these are advantageous for the large and cost efficient production

A Letter to Investors

enterprises to expand their market shares and sharpen competitive edges. On this backdrop, the gross profit margin of the Group improved for 2011 and a strong growth momentum was witnessed.

The past year marks the first year of China's 12th Five-Year Plan, matching exactly with the 12th Five-Year Plan of the Group. I am pleased to report that we achieved major breakthroughs in various fronts including industry value chain consolidation, research and development, and business operation and expansion. These laid a solid foundation for the steady and prosperous development of the Group in the next five years. In particular:

- In the fourth quarter of 2011, Xinjiang Xinlianxin Energy Chemical Co., Ltd. ("**Xinjiang XLX**"), a wholly-owned subsidiary of the Group, announced that it had successfully acquired 瑪納斯天利煤業有限責任公司 ("**Tianli**") and accordingly gained access to upstream coal resources, which is beneficial to the long term development of the Group's business by securing the supply of upstream reserves of raw materials;

- Henan Xinlianxin Fertiliser Co., Ltd. ("**Henan XLX Fertiliser**"), a wholly-owned subsidiary of the Group, entered into a five-year supply agreement with Henan Coal Chemical Industry Group Co., Ltd., the largest coal mine in Henan Province, ("**Henan Coal Chemical**"), to ensure the supply of coal in Henan;

- Henan XLX Central Laboratory ("**Central Laboratory**") was granted a State-level Qualified Laboratory Certification by China National Accreditation Service for Conformity Assessment ("**CNAS**"), demonstrating that the management and technology standards and the overall capability of the Group's laboratory match the international standard;

- Henan XLX Fertiliser was granted the honoured title of National Agrichemical Service Centre by the Agrichemical Service Office of the China Petroleum and Chemical Industry Federation, becoming the first enterprise in Henan to receive the award;

- The Group signed a RMB10 million agreement with Hefei Institutes of Physical Science, Chinese Academy of Sciences ("**Hefei IPS of CAS**") to help develop a new product called slow release urea fertiliser for the Group;

- Henan XLX Fertiliser entered into a gas supply framework agreement with Air Products and Chemicals (China) Investments Co., Ltd. ("**AP China**"), pursuant to which AP China will install an air separation unit to supply industrial gas to the Group's fourth production plant located at the Northern and Eastern Side of Qinglong Road, Xinxiang Economic and Development Zone, Xinxiang City, Henan Province (the "**Fourth Plant**") for the production of urea. This will also help to enhance the

2011 is the beginning year of the Twelfth Five-Year Plan, and also a turning point for the development of China XLX.

> New chapters such as "China XLX Culture" and "Investor Relations" were introduced in this year's annual report, together with the changing of Chairman's Statement to Interview with the Chairman. We wish to provide the investors with more interactive information.

operating efficiency and in turn lower the total capital expenditure and production costs;

- The Group has issued RMB convertible bonds with a 5-year maturity for an amount equivalent to about US$51 million to Primavera Capital Group ("**Primavera Capital**"), an international private equity investment management firm. Should the convertible bonds be fully exercised, Primavera Capital will indirectly hold 14.97% of the enlarged capital of the Group and become the third largest shareholder and the largest institutional shareholder of the Company.

In addition to the above achievements, the Group is building a new compound fertiliser production line with annual capacity of 150,000 tons, expected to be completed in the second quarter of 2012, which will lift our production capacity by 25% to 750,000 tons. Meanwhile, the construction of the Fourth Plant was well in progress, and will commence production in the second half of 2013 as planned, whereupon the production capacity of urea will increase by 64% to approximately 2.1 million tons. The expansion of production capacity for the two major products will effectively turn the Group into a large chemical fertiliser production base with an annual production capacity of approximately 3 million tons. The upgrade of technology, i.e. "gasification of coal powder" (replacing the expensive anthracite coal with the cheaper coal powder), will also enhance the Group's competitive edge.

A dedicated railway built by the Group commenced operation in 2011, and has started to contribute in lowering the transportation cost of the Group. All these efforts have secured the leading position of the Group in the industry and generated greater investment returns for our shareholders.

The sustainable development of a company depends not only on the enhancement of its competitive strength, but also on the cultivation of its corporate culture. In order to better demonstrate our corporate culture, we have deliberately added a section called "**China XLX Culture**" in this year's annual report. We hope to share with you our cultural foundation for the Group's long-term sustainable development.

I believe that having an elite team with great staff cohesion, strong ability to implement, and whole-hearted dedication is the driving force for China XLX's survival and growth. As one of the biggest listed private enterprises in the chemical fertilizer industry in the PRC with the highest percentage of shareholding by employees, we are proud of our achievements and our highly recognized status in the industry.

There are a few other changes of note in the 2011 annual report. We have replaced the "Chairman Statement" with an "Interview with the Chairman", which is intended to share with our investors the strategic issues in which they are most interested in a question and answer style. We have also added a

A Letter to Investors

"Our investment goes only to those entrepreneurs we appreciate and enterprises we understand. Our decision of investment in China XLX took place after a full-scale due diligence investigation which lasted for several months. We decided to make this investment because their core management team possesses valuable experience in the industry and they have very positive corporate culture and excellent corporate governance. We are confident of our decision."

Mr. Lian Jie

Non-executive Director of China XLX & Partner of Primavera Capital which invested in China XLX

subsection called "Investor Relations" in order to highlight that investor relations is a major concern for the Board and senior management of the Company. They have been working hard to improve the communication and interaction with our investors and increase the transparency of information disclosure. In addition, we would invite your attention to the section of "Corporate Social Responsibility", which shows the efforts and achievements of the Group in social charity and sustainable development of the environment.

Our Group's objective is not to become the biggest fertiliser manufacturer, but instead the most profitable coal-based urea manufacturer in the fertiliser industry and the most influential, competitive and respected coal chemical enterprise group in China. We do wish to be the first choice of our customers and our business partners, and government, peer companies, media and public. This goal is far more difficult to achieve than merely being the biggest in scale and relies on every one of us to achieve. Nevertheless, with the joint efforts of all our people, we will remain determined and strive to establish China XLX as the most trusted and respected century-old brand.

Looking ahead, 2012 will be a vital year marking the start of a new stage of development for the Group to grow bigger and stronger. As the famous Chinese saying says: "*Idle boast the strong pass is a wall of iron; with firm strides we are crossing its summit*". In the next few years, China XLX will embrace new opportunities arising from the further expansion of our production capacity and lower production cost; continued commitments of the State in the development of Agriculture, Farmers and Rural Areas; and the boost to economic growth in Henan Province related to the State policy on the development of Central China Economic Zone. Overall, we are very optimistic about our future as the Group will continue to consolidate the upstream coal resources and step up our cooperation with the industry leaders in China and all over the world. We are committed to enhancing our cost control and operational efficiency, developing new products, and leveraging international capital as we embrace new opportunities with new thoughts and new plans. A bright future is right ahead of us.

Chairman of the Board of Directors

Liu Xingxu

22 March 2012

Company Profile

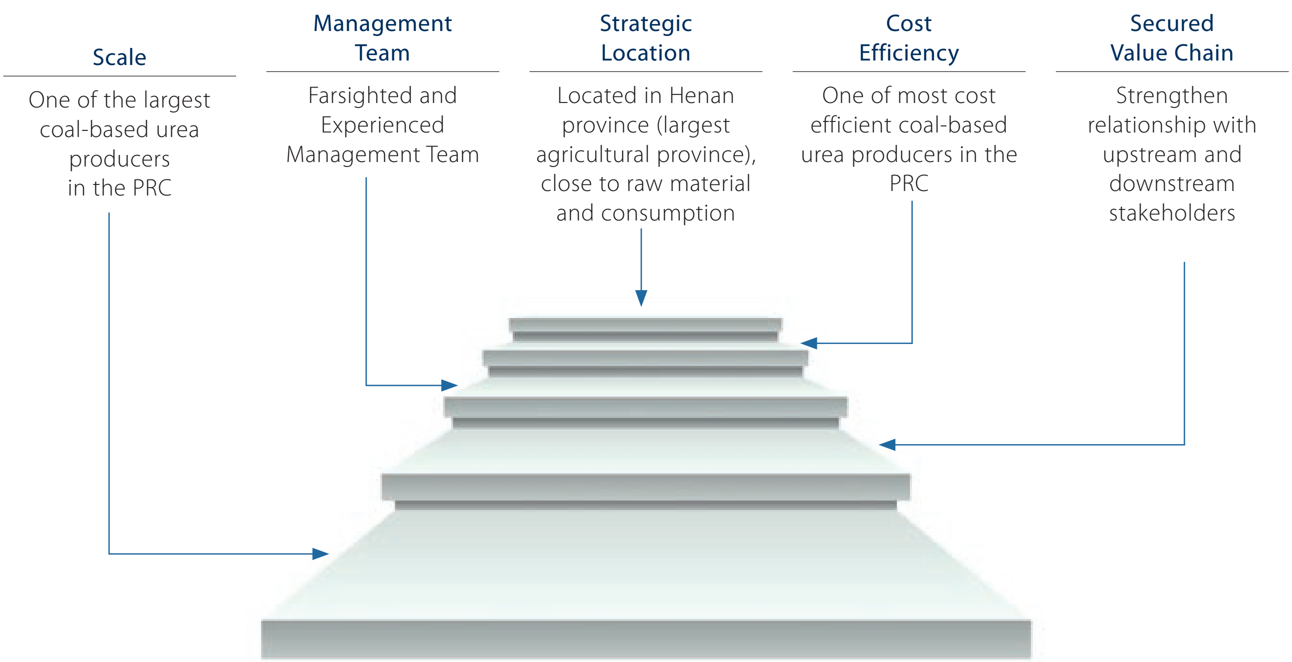
China XLX was incorporated with limited liability on 17 July 2006 in Singapore under the Companies Act (Chapter 50) of Singapore, with its registered office at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721. The Group's headquarters and principal place of business is located in Xinxiang Economic and Technology Development Zone, Henan Province of the People's Republic of China (the "**PRC**").

The Group is one of the largest and most cost-efficient coal-based urea producers in the PRC. China XLX aims to become the most profitable coal-based urea producer. The principal activities of its major subsidiary, namely Henan Xinlianxin Fertiliser Co. Ltd., are manufacturing, sales and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution. Currently, the estimated annual production capacity of urea, compound fertiliser and methanol are approximately 1.25 million tons, 600,000 tons and 200,000 tons, respectively. Urea is the major product of the Group and contributed about 65% of the total revenue of the Group in 2011.

The Group is currently building the Fourth Plant in Xinxiang, Henan Province of PRC, which is expected to be completed and commence production in the second half of 2013. The new plant will bring our total production capacity of urea to over 2 million tons. A new production line for compound fertiliser is expected to be completed and commence production in the first half of 2012, which will bring the production capacity of compound fertiliser up to 750,000 tons.

China XLX has been listed on the main board of The Hong Kong Stock Exchange since 8 December 2009 with stock code "01866", and on the main board of Singapore Exchange Securities Trading Limited since 20 June 2007 with stock code "B9R.SI ".

Our key Competitive Advantages:



Corporate Information

Board

Executive Directors

LIU Xingxu (Chairman & CEO)
YAN Yunhua (Chief Financial Officer)
LI Buwen

Non-executive Director

LIAN Jie

Independent Non-executive Directors

ONG Kian Guan (Lead INED)
LI Shengxiao
ONG Wei Jin

Committee Member

Audit Committee

ONG Kian Guan (Chairman)
LI Shengxiao
ONG Wei Jin

Remuneration Committee

ONG Wei Jin (Chairman)
ONG Kian Guan
LI Shengxiao

Nomination Committee

LI Shengxiao (Chairman)
ONG Wei Jin
LIU Xingxu

Authorised Representatives

Ms. Yan Yunhua
Ms. Lee Wai Fun Betty
(appointed with effect from 10 March 2011)

Joint Company Secretaries

Cheah Soon Ann Jeremy
Foo Soon Soo
Lee Wai Fun Betty
(appointed with effect from 10 March 2011)

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore, 048583
Partner-in-charge: Yong Kok Keong
(with effect from financial year ended 31 December 2010)

Legal Advisor to the Group

Reed Smith Richards Butler (Hong Kong)
Haihua Yongtai Law Firm (China)
Shook Lin & Bok LLP (Singapore)

Principal Bankers

China Construction Bank
Bank of China
Industrial & Commercial Bank of China
Bank of Communications
Citic Bank
HSBC
Standard Chartered Bank

Registered Office

333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

Headquarters and Principal Place of Business

Xinxiang High Technology Development Zone
Henan Province
PRC 453731

Listing Information

Singapore Stock Code: B9R.SI
Hong Kong Stock Code: 01866

Corporate Website

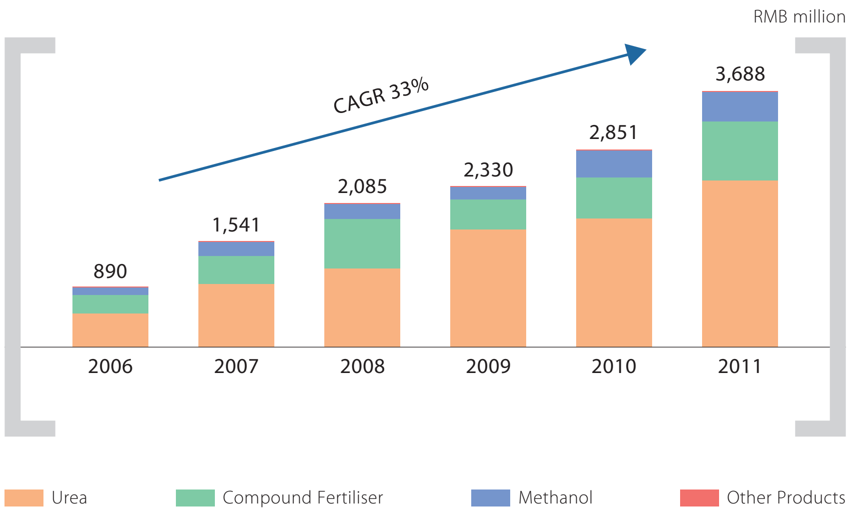
http://www.chinaxlx.com.hk

Financial Highlights

Overall financial results of 2011

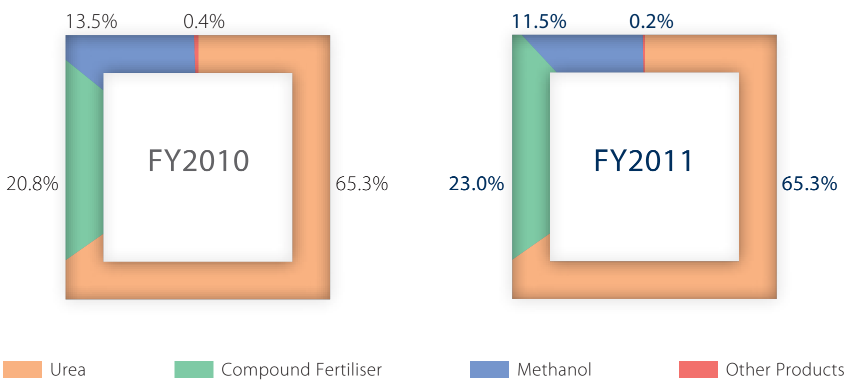
(RMB million)	2010	2011	Change YoY (%)
Revenue	2,851	3,688	29
Cost of sales	(2,487)	(3,182)	28
Gross profit	364	506	39
PBT	176	225	28
Tax	(31)	(44)	42
PAT	145	181	25
Basic earnings per share (RMB cent)	14.46	17.96	24
Diluted earnings per share (RMB cent)	14.46	17.96	24
Shareholders' equity per share (RMB)	1.58	2.05	30
Dividend per share (RMB cent)	3.00	3.70	23
Gearing ratio (%)	48.4	44.4	(4.0) ppt

Total revenue continued to grow steadily

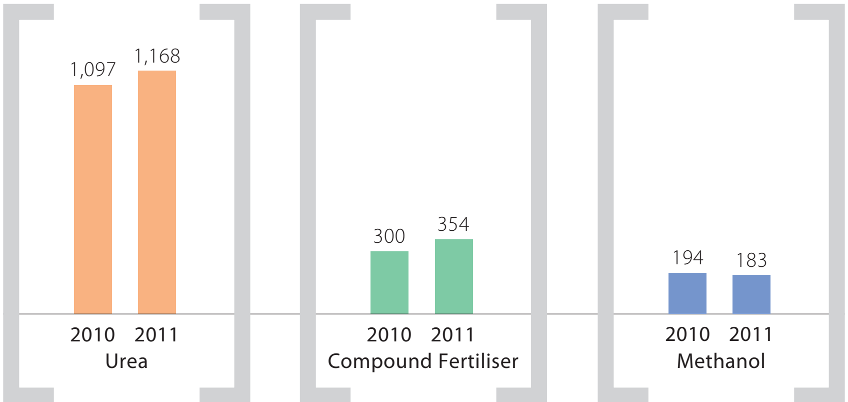


Financial Highlights

Revenue breakdown by segment



Sales volume breakdown by segment ('000 tons)



Major Milestones & Events in 2011

January

- 2010 Marketing Summit.

February

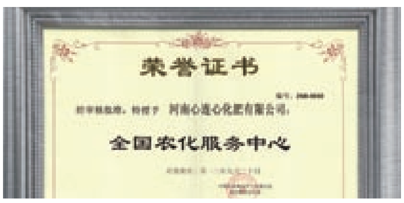
- Announced China XLX audited annual results for 2010.

March

- Head of Department of Environmental Protection of Henan Province visited the plant.

Company Honors Received in 2011:

[Model Enterprise for Credit Construction in Henan Province.]



April

- Entered into non-binding cooperation framework agreement with People's Government of Manas County, Xiangjiang, PRC.
- Named "National Agrochemical Service Centre".

May

- Named "Model Enterprise for Credit Construction in Henan Province"
- Self-owned railway facility commenced operation.
- Go Power Investments Limited, 2nd largest shareholder, increased its shareholding by 17,110,000 shares from 28.06% to 29.77%.
- Exported 50,000 tons compound fertilizer.

June

- Awarded Top 50 enterprises in the national nitrogen fertiliser industry.

Major Milestones & Events in 2011

July

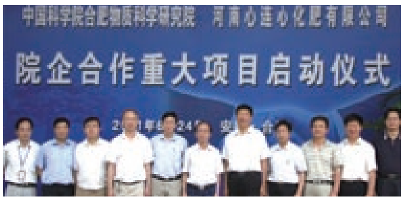
- Cooperation agreement of RMB10 million signed with Hefei Institutes of Physical Science, Chinese Academy of Sciences, to assist in developing slow-release urea fertilizer.

August

- Signed a five-year coal supply agreement with Henan Coal Chemical to secure local coal supply.

September

- Winner of 3 awards in the 25th International Annual Report Competition (ARC Awards).



Top 50 company among the State's nitrogen fertiliser industry.

National Agrichemical Service Centre.

Central Laboratory was granted a State-level Qualified Laboratory Certification by CNAS.

October

- Construction of a new urea-based compound fertiliser production line with annual capacity of 150,000 tons, which represents 25% increase in capacity, and is expected to commence operation in the second quarter of 2012.

November

- First batch of slow release fertiliser was successfully tested as the base fertiliser of wheat in the trial fields of the Group located in Henan province.
- Strategic cooperation with AP China to construct a portion of the Fourth Plant, which will reduce the Group's total investment.
- Acquired Tianli to tap into urea upstream raw materials sector.
- Successfully introduced Primavera Capital, a renowned international private equity fund by issuing US$51 million equivalent of RMB-dominated convertible bonds.

December

- Energy efficiency and reduction of emission technologies were selected as projects and patents, which were rewarded by the Finance Department of the State with a government funding exceeding RMB10 million.
- Central Laboratory recognised as a national laboratory.

Leveraging the expertise and resources of newly formed strategic partnerships, China XLX can now look further and stand stronger.

Stronger alliances
Building a better tomorrow

In 2011, strategic alliances with Primavera Capital, Henan Coal Chemical (Henan's biggest coal mine) and AP China (one of the world's largest industrial gas suppliers) were formed. The further strengthening of China XLX's capital and resources has set China XLX on an upward flight path.


INDIAN OCEAN

Interview with the Chairman

Dear Shareholders:

As the Chairman of the Group and on behalf of China XLX, I wish to share with you in a Q & A manner some issues that you are most interested.

About Final Results

Question:
What would you comment on the Company's overall results for 2011?

ANSWER: To our delight, the Group managed to make a good profit and secure a stable increase in revenue for 2011 that amounted to RMB3.69 billion. This represents a year-on-year growth of 29% and a compound growth rate of about 33% for the previous six years. Net profit increased from RMB145 million in 2010 to RMB181 million in 2011, representing a year-on-year growth of 25%. The increase is mainly due to higher prices of urea, compound fertiliser and methanol, as well as growth in sales volume of urea and compound fertiliser from the year before. The results are satisfactory given that the average utilisation rate of the whole industry was still lower than the historical average. However, costs of major raw materials, have been elevated as the price of coal remained high and electricity prices are increasing every year.

Question:
What is the Company's dividend payout plan and dividend payout ratio?

ANSWER: The Board proposed to pay a final dividend of 2011 of RMB0.037 (2010: RMB0.03) per share on 25 May 2012 to the shareholders whose names appeared on the register of members of the Company on 10 May 2012. When we were listed on the Singapore Stock Exchange in 2007, we promised to our shareholders that our dividend payout ratio for each of the 3 years from 2007 to 2009 would not be less than 20% of our net profit after tax, and we have kept our promises. As for the time after the period of that promise, the dividend payout ratio for 2010 was about 21%, and for 2011 remained the same.

Interview with the Chairman

About Business Development and Prospects

Question:
What is the capital expenditure of the Company for 2011, and on what projects?

ANSWER: The capital expenditures of the Company for 2011 were about RMB520 million, mainly for the construction of Fourth Plant and acquisition of Tianli amounting RMB270 million and RMB40 million respectively.

Question:
What do you think about the actual earnings for the three major product lines for 2011? What is the plan of production capacity expansion and the percentage of the revenue for each of them in the future?

ANSWER: Generally, both the urea and compound fertiliser segments recorded a gross margin of over 15%, which was one of the highest in the fertiliser industry in the PRC. The methanol segment recorded a slight loss as the rise in raw material costs could not be fully passed on to consumers. As for our plans for production capacity expansion and the respective contribution to revenue of our key products, it breaks down as follows:

Interview with the Chairman

1. Urea: The Group entered into a gas supply framework agreement (the "**Framework Agreement**") with Air Products and Chemicals (China) Investments Co., Ltd. ("**AP China**"), pursuant to which AP China will supply oxygen, hydrogen, nitrogen and other industrial gases to the Fourth Plant and help install an air separation unit. This will ensure stable production in the Fourth Plant, enhance its operating efficiency and lower its production costs. In addition, pursuant to the Framework Agreement, AP China will invest approximately RMB500 million to supply its gas. This arrangement will bring our total investment in the Fourth Plant from RMB3 billion down by 14% to approximately RMB2.5 billion, which will help the Group to lower its capital expenditures, better control its investment risks and keep its debt ratio at a reasonable level. The Fourth Plant with annual capacity of 800,000 tons being under construction will commence production in the second half of 2013, raising the urea production capacity of the Group by 64% to approximately 2.1 million tons. In the following three years, urea will account for approximately 67% of total revenue as compared with 65% for 2011 and still be the principal product of the Group;

2. Compound Fertiliser: The Group announced started building a 150,000 ton production line for urea-based compound fertiliser in the fourth quarter of 2011. The new production line will start operation in the second quarter of 2012 and expand the production capacity by 25% to 750,000 tons. In the following three years, revenue from compound fertiliser will increase from 23% in 2011 to around 30%, and make it one of the major sources of profit growth.

3. Methanol: The Group have no capacity expansion plan for this segment for the next three to five years.

Question:
What were the key factors that affected the performance of the three major products of the Group in 2011?

ANSWER: As transactions are made either in cash or by prepayment, the cash flow situation of the urea industry is in good shape. Key factors affecting the three major business segments include the prices of coal and electricity, prices of our products, market demand and the international price. We can see in greater detail below:

Urea

In 2011, only the production in January was slightly affected by restricted power supply due to the call for energy saving and emission reduction. The utilization rate of the Group's urea facilities for the whole year climbed to around 103%. The average price of coal for the year remained stable at RMB1,400 to RMB1,600 per ton due to weak demand (caused by slower GDP growth) and increase in supply (due to the fact that consolidation of the coal industry nearly finished and small and medium coal mines have resumed production).The electricity price in Henan Province was lifted by RMB1.81 cents per kwh and RMB3.37 cents per kwh respectively in 2011, which added approximately RMB33 per ton to the production cost of urea.

The capacity utilisation rate of the urea industry for 2011 was below 80%. It is noteworthy that in the first half of the year, dealers' inventory level was low but demand was growing steadily. In addition, the government raised the minimum purchase prices of major crops twice in 2011, which together translated into lucrative incentives for farmers and pushed up the average selling price of urea in 2011 by 21% from 2010. At the same time, export of urea was negatively impacted despite that international urea price was higher than domestic price because the window period of low tariff season was shortened and the base price was lowered. Total urea export for the whole year was approximately 3.55 million tons, representing a year-on-year decrease of 49%. Given the total export volume only accounted for a small portion of the total market, the decline of urea export did not have a material negative effect on the price of urea.

As one of the largest and most cost-effective coal-based urea producers in the PRC, China XLX is exceptionally competitive in terms of resources consumption: the power usage for each ton of urea produced is about 20% lower than the industry average and coal consumption is approximately 26% lower than the industry average, which represents a lead over our competitors in cost efficiency. Cost efficiency has reduced and will continue to mitigate the impacts from higher coal price and the future increase in industrial electricity price when government tax concessions are gradually removed. In the long run, the soaring energy prices could help phase out the obsolete production capacities and enhance industry consolidation.

Compound Fertiliser

The gross margin of compound fertiliser increased from 11.4% for 2010 to 15.0% for 2011. This was due to the increase in average sales costs of compound fertiliser of approximately 16.2% and a rise in average selling price of approximately 21.1%. Similar to urea, the sales price of compound fertiliser rose remarkably in the third quarter of 2011 due to the significant demand in peak season and the low inventory level.

Interview with the Chairman

Methanol

The gross margin of methanol decreased from a loss of 2.6% in 2010 to a loss of 6.4% in 2011. This was due to the increase in average sales costs of methanol of 20.4% in 2011 as compared with that in 2010, as a result of the increase in prices of coal and electricity. However, the average selling price of methanol rose by just 16.1% due to the weak demand in the downstream market in China.

Question:
What are the major development strategies of the Group for the future?

ANSWER: We are taking three major strategies. First, business development will be centered on "coal chemical" products. Secondly, Henan and Xinjiang are selected as the two major production bases of the Group. Thirdly, efforts will be focused on three areas, i.e. chemical fertilisers, diversification from coal chemical products and new materials in the coal chemical sector. In the next three to five years, we will continue to focus on our core business of urea so as to grow it up to the highest standards of the industry while maintaining cost-effectiveness, and we will eventually expand into the coal chemical chain with the development of the advanced coal gasification technology.

1. **Growing our core business and adding to its strength with technical upgrade:** we are to expand our production capacity to approximately 2.1 million tons of urea, 1 million tons of compound fertiliser and 200 thousand tons of methanol, and selectively work on the "Low-carbon Economy" projects related to our products after we get the advanced gasification technology, whereby products with CO_2, CO and H_2 as raw materials will be preferred. On the other hand, we will also extend our existing product chain.

2. **Building specialised chemical fertiliser series:** under the strategic vision to achieve "differentiation", we will explore opportunities in the controlled-release fertiliser, organic fertiliser and phosphate fertiliser business based on market demand.

3. **Proceed with vertical and horizontal integration so as to extend the industrial chain:** under the guidance of scientific thinking, we are going to leverage advanced technology, expand upstream for resource supply by keeping our controlling interests in coal resource businesses. We are stepping up our efforts on resource integration according to our strategy of cost-effectiveness.

Question:
What areas do you think the Company has been doing well in and what needs to be improved?

ANSWER: In the last year, I think we have done a good job in corporate governance and investor relations management, but there is still room for improvement.

Corporate Governance

With its goal to serve the best interest of its shareholders, the Board has all along strived to develop a standardised, highly-effective and scientific corporate governance mechanism. The Group held five board meetings in the year of 2011 to review and approve, among others, quarterly reports, interim report, annual report, dividend payout ratio and development strategies of the Group. Meanwhile, the Board also reviews and resolves issues such as connected transactions through holding non-regular board meetings. The Audit Committee, the Remuneration Committee and the Nomination Committee under the Board have exercised and performed their rights and duties conferred by the Board with a view to enhance the Group's internal control, optimising its remuneration incentive system and consolidating the Group's corporate governance framework. During the same period in 2011, the Board decided after discussion that in addition to Ernst & Young which is currently serving as our international auditors, the company also engaged PricewaterhouseCoopers to conduct internal audit for the Group. The purpose is to enhance internal risk control over the eight areas, namely fixed assets, capital management, financial report, information system, purchasing, sales, inventory and security of funds and improve operation efficiency. After the introduction of Primavera Capital, an internationally renowned private equity fund as our long term strategic partner in the fourth-quarter of 2011, the Group invited and appointed Mr. Lian Jie, a partner at Primavera Capital, as a non-executive director of the Company. The appointment allowed us to benefit from his more than 11 years' rich experience in international capital market and help further improve our corporate governance and risk control.

Investor Relations

The Group highly values its relationship with its investors and aims to provide the latest information on the Group's operations and business development to its shareholders and potential investors, so that they can obtain all necessary information in a timely manner and to make informed investment decisions. We communicates with our investors through different channels. For instance, our

Interview with the Chairman

management holds one-on-one meetings with institutional investors, attends luncheons and takes part in large investor conferences regularly. As for Annual report, after the 2009 Annual Report had won six awards in the 24th International ARC Awards in 2010, the 2010 Annual Report won three awards in the 25th International ARC Awards in 2011 again. You can refer to the new added column in this Annual Report under "Investor relations" section for more details.

Question:
How do you see the outlooks of the industry in 2012?

ANSWER: I am confident that the Group will perform well in 2012. My confidence comes from several aspects as below:

More Supportive Policies from the Central Government

The Central Government has, since 2004, issued the Number 1 Document of the Central Government ("No. 1 Document") for consecutive nine years offering working guidance for "Agriculture, Farmers and Rural Areas". The No. 1 Document of 2011 focused on the construction of water conservancy in rural areas, whereby the Government would significantly increase the budget for water facilities in the central and local treasury and set aside 10% of the receipts of local land premiums for the construction of irrigation and water conservancy projects. In the next ten years, approximately RMB4,000 billion will be devoted to rural water facility improvement projects. The No. 1 Document of 2012 emphasized on innovation of agricultural technology and highlighted it as this year's key task for "Agriculture, Farmers and Rural Areas".

The funding from the government on the development of "Agriculture, Farmers and Rural Areas" has been going up every year and increased to a historical high of over RMB1,000 billion in 2011, compared with RMB818 billion in 2010. In October 2011, the State Council issued the Guidance on Supporting and Accelerating the Construction of the Central Plains Economic Zone in Henan Province which clearly pointed out the strategic goal of making Henan Province and its surrounding areas into an important base for crops production and modern agriculture in China. In addition, subsidies for the fertiliser industry have not been completely withdrawn and we expect that the government will continue to provide subsidies on VAT, electricity costs as well as rail freight rates. Moreover, minimum purchase prices of major crops are expected to edge up. In February 2012, the National Development and Reform Commission ("NDRC") announced hikes in minimum purchase prices of major crops by an average of over 15%;

We believe that the above favorable government policies for farmers will promote sustained and sound development in agriculture. As the largest fertiliser company in Henan Province, we will benefit from those policies.

Recovery amid Industry Consolidation

The fertiliser industry is facing opportunities in this consolidation stage. During the process the weak players will be phased out and the majority of market share will be captured by medium and large-sized enterprises, thus overall recovery is on the track. Meanwhile, global food price is expected to keep its rising trend. It is anticipated that the PRC government will continue to lend greater support to resolve the three rural issues in 2012. Higher agriculture subsidies are given to ensure higher production and increase farmers' income. This will in turn encourage interest in farming, and lead to growing demand for fertiliser. In addition, the Group is located in Henan province, the largest fertiliser consumption market in China, and the planned Central Plains Economic Zone which is strongly supported by the State Council, the Group's localisation strategy and long-term development stand to benefit.

We believe that in 2012, industry consolidation, structure adjustment and technological upgrade will move on as expected. Against this backdrop, the Group, being one of the leading and most cost-efficient urea producers in the PRC, is confident that its brand strength and influence will be further enhanced on its path to growth.

Improvement of Corporate Operating Performance

In 2012, the Group would increase the output and sales volume of compound fertiliser. Meanwhile, as to urea business, we strive to minimize production cost through technology upgrades. The Group expects Tianli, a company newly acquired by the Group, to also contribute to the revenue of the Group.

Interview with the Chairman

Question:
Regarding the investment from Primavera Capital, will there be any other cooperation opportunities besides capital support?

ANSWER: Primavera Capital was founded by a team of ex-Goldman Sachs managing directors and Dr. Fred Hu, chairman of the Greater China region at Goldman Sachs, and is an internationally-renowned China-focused private equity investment and management company. Primavera Capital, which has an experienced professional investment team, subscribed the Company's five-year 4.5% per annum RMB-dominated convertible bonds (the "**Convertible Bonds**") in the amount of US$51 million at a premium of 13%, representing a conversion price of HK$2.25 per share in the last quarter of 2011. Upon the full exercise of the Convertible Bonds, Primavera Capital will indirectly hold 14.97% of the enlarged share capital of the Company, thus becoming the third largest shareholder and the largest institutional shareholder of the Company. The private issue of convertible bonds not only widened our channel to fund future business expansion of the Group, but also optimized the capital structure of the Company by reducing its gearing ratio. In the future, we will cooperate closely with Primavera Capital to look out for potential merge and acquisition opportunities in domestic and abroad, thus allowing the Group to achieve a leapfrog growth. The Group will comply with the listing rules of the Singapore Exchange Securities Trading Limited and the Stock Exchange of Hong Kong Limited when undertaking any potential merger and acquisition.

APPRECIATION

Last but not the least, on behalf of the new Board, I would like to take this opportunity to extend my heartfelt gratitude to all shareholders, the Group's management team, all the staff, customers and friends that have been caring for and supporting us all along. In 2012, the Group's management and staff will work cohesively under the leadership of the Board, to complete the construction of compound fertiliser new plant, maintain the progress of the construction of the Fourth Plant and the process of upstream resources consolidation, promote cost effectiveness so as to create value for shareholders with better performance, thereby achieving higher investment returns.

Liu Xingxu
The Chairman of the Board

22 March 2012

Our brand is founded on the core value of quality, which also drives our product innovation and development.

Quality driven Product Innovation

Together with Hefei institute of Physical Science, Chinese Academy of Science ("Hefei IPS of CAS"), our "State-level Qualified Laboratory" has achieved remarkable breakthrough in the development of slow release urea. As a result, samples are now available.

Corporate Social Responsibility

As the only China-based fertiliser company listed on both Hong Kong Stock Exchange and Singapore Stock Exchange, China XLX has been actively performing its corporate social responsibilities ("CSR") while pursuing the best possible profitability, safeguarding interests of our shareholders, employees, customers, business partners and the society in general, treating our suppliers, customers and consumers in good faith, striving to improve our execution efficiency and quality in virtue of our expertise and competitive superiority and combining performance of our social responsibilities with enhancement of our competitive edges.

Environmental Protection and Sustainable Development

The Group places great importance on environment protection issues such as energy saving and emission reduction, and has formulated and revised a series of regulatory policies to improve our environmental management. In 2011, the Group allocated approximately RMB11 million on environment protection, among which RMB6 million was spent on water-diversion projects, which has met with encouraging results of water-saving for the Group and social benefits with underground water refill; RMB3.92 million was spent on building deep treatment facilities for waste water and RMB2 million was spent on equipment upgrade to ensure better performance of the facilities. Meanwhile, the Group has introduced the comparison management model to ensure the accomplishment of our targets, for which it has been dubbed an "Exemplary Unit for Environment Protection in the Petroleum & Chemical Industry during the 11th Five-Year Period", a Certified Exemplary Unit for Clean Production and an Exemplary Unit for Innovation on Energy-saving & Emission Reducing Technology in Henan Province. During the period of The Twelfth Five-Year Plan, as one of the participants of "10,000-Enterprise Energy-Saving Campaign", China XLX signed an agreement with the government on a target of saving 119,000 tons of standard coal, and 44,500 tons of standard coal had been saved by the Group for 2011, which represented 37% of the total target.

China XLX carefully implemented the government's energy saving and environmental protection policies. Through management optimisation and technology upgrade, the Group actively promotes the clean production of nitrogen fertiliser and the recycling economy and accelerates the research & development and promotion of energy-saving & emission-reduction and waste treatment technologies so as to substantially reduce the emission of pollutant and improve the utilisation of resources. The Group will make sure the policies of energy saving and environmental protection carried out throughout the process of production by prescribing objectives and positions and responsibilities, as a result of which agreeable results have been achieved both in improvement of energy saving and environment protection technology and scientific management.

Public-Spirited Passion and Contribute to Society

China XLX honors integrity in business operations and lawful and faithful tax paying, which is the philosophy of social responsibility. In 2011, the Group paid approximately RMB85 million taxes in total.

Corporate Social Responsibility

The Group is keen to support the local communities through various channels such as eco-friendly, educational and cultural activities. The Group is dedicated to keeping heart-felt sincerity and passion to contribute to society. In 2011, the Group donated a total amount of RMB200,000, including RMB100,000 donated to the General Labor Union of Xinxiang County, RMB30,000 to Senior Citizen Care Centre and RMB30,000 to the Employment Guarantee Fund for the Disabled of Xinxiang County.

Management Discussion and Analysis

(1) Business Review

Production profile of the Group in 2011:

Output:

As of the end of 2011, total output of urea from the Group for the year reached 1,297,000 tons. The total output of compound fertiliser and methanol for the year reached 409,000 and 184,000 tons respectively.

Utilisation rate of production facilities:

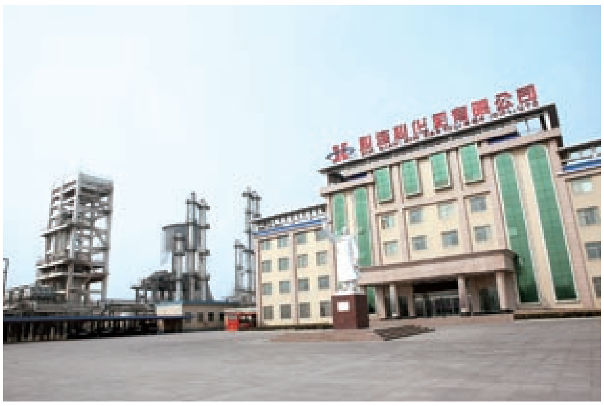
	For the year ended 31 December					
	2011			2010		
	Total effective production capacity '000 tons	Total actual output '000 tons	Utilisation rate %	Total effective production capacity '000 tons	Total actual output '000 tons	Utilisation rate %
Urea	1,250	1, 297	103%	1,250	1,223	98%
Compound fertiliser	600	409	68%	600	312	52%
Methanol	200	184	92%	200	195	97%

Data for coal and power consumption:

	For the year ended 31 December	
Coal consumption (ton)	2011 per ton of urea	2010 per ton of urea
Feed coal	0.629	0.632
Fuel coal	0.199	0.208
Total coal consumption	0.828	0.840

	For the year ended 31 December	
Power consumption (kwh)	2011 per ton of urea	2010 per ton of urea
Urea	725	727
Compound fertiliser	25	25
Methanol	1,070	1,068

Management Discussion and Analysis



Sales profile of the Group in 2011:

(2) Financial Review

Revenue

Revenue for FY2011 increased significantly by approximately RMB837 million or 29.3% from approximately RMB2,851 million in FY2010 to approximately RMB3,688 million in FY2011. The increase was due to the increase in urea, methanol and compound fertliser average selling prices and increases in urea and compound fertiliser sales volume.

Urea

Revenue derived from the sales of urea increased by approximately RMB546 million or approximately 29.3% from approximately RMB1,863 million in FY2010 to approximately RMB2,409 million in FY2011. Such increase was mainly due to the increase in average selling price by approximately 21.4%. The sales quantity of urea also increased by approximately 6.5% due to sales of inventory carried over from December 2010.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB37 million or approximately 9.7% from approximately RMB385 million in FY2010 to approximately RMB422 million in FY2011. Such increase was mainly due to the increase in average selling price of approximately 16.1% although sales quantity declined by approximately 5.5% when methanol was making loss.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB255 million or approximately 42.9% from approximately RMB594 million in FY2010 to approximately RMB849 million in FY2011. Such increase was primarily resulted from the increase in sales volume by about 18.0% in FY2011 due to a change in sales mix towards a bigger share of the more profitable compound fertiliser. Average selling price for compound fertiliser rose 21.1% for the year ended 31 December 2011.

Profitability

Overall profit margin increased from 12.8% in FY2010 to 13.7% in FY2011 due to increase in urea and compound fertiliser gross profit margins.

Urea

Gross profit margin for urea sales increased from approximately 16.4% in FY2010 to 16.9% in FY2011 due to higher urea average selling prices. Urea average selling prices increased 21.4% as compared to an average cost increase of 20.8% in FY2011 as compared against FY2010. The increase in average selling prices in FY2011 was mainly attributed to the price increase in 3Q2011 and higher export volume during that period and low inventory levels due to the low industry capacity utilisation rate in 1H2011.

Methanol

Gross profit margin of methanol declined from a loss of 2.6% in FY2010 to a loss of 6.4% in FY2011. This was due to higher coal and electricity prices which drove up methanol average cost of sales by about 20.4% in FY2011 as compared against FY2010. But methanol average selling prices only increased 16.1% due to weak downstream demand of methanol in the PRC.

Compound fertiliser

Gross profit margin of compound fertiliser increased from approximately 11.4% in FY2010 to 15.0% in FY2011. This was mainly due to increase in compound fertiliser average selling prices by approximately 21.1% as compared against the increase in average cost of sales of approximately 16.2%. Similar to urea, compound average selling prices rose significantly in 3Q2011 due to the seasonal peak and low inventory levels.

Other Income and Gains

Other income increased by approximately RMB7 million from approximately RMB17 million in FY2010 to approximately RMB24 million in FY2011 mainly due to a penalty income of RMB8 million in FY2011. This penalty income was compensation by a customer for cancellation of a sales order.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately RMB32 million or 82.2% from approximately RMB39 million in FY2010 to approximately RMB71 million in FY2011. This was mainly due to approximately RMB15 million increase in compound fertiliser export related selling and distribution expenses to bring the goods to port, port handling, export tariff and freight costs. There was about 50,000 tons of compound fertiliser exported in FY2011 compared

Management Discussion and Analysis

to none in FY2010. The Group had taken into consideration such costs when agreeing the export selling price to our customers. Compound fertiliser selling and distribution cost also increased due to an approximately RMB6 million increase in staff cost in connection with a newly implemented incentive programme for the sales force and an approximately RMB2 million increase in entertainment activities to support sales increase. Selling and distribution expenses also increased by approximately RMB4 million in initial costs and approximately RMB4 million in depreciation cost incurred when the Group's dedicated railway commenced operations in 2Q2011. The dedicated railway served to connect the Group's second and third production plants located in Xinxiang to Xinxiang East Railway Station.

General and Administrative Expenses

General and administrative expenses increased by approximately RMB32 million or 30.6% from approximately RMB104 million in FY2010 to approximately RMB136 million in FY2011. This was due to an approximately RMB15 million increase in staff cost related to the wage increase in July 2010 and April 2011 and increase in the number of employees for the Production Plant IV. Land lease cost also increased by approximately RMB2 million. Consultation, research and developmental expenses increased approximately RMB9 million due to the Group's expansion. Environmental expenses also increased approximately RMB3 million in FY2011 due to increase in water price and waste water treatment price. Other general and administrative expenses such as staff training, consumables and traveling cost increased approximately RMB6 million.

Other Expenses

Other expenses increased by approximately RMB12 million from approximately RMB8 million in FY2010 to approximately RMB20 million in FY2011 mainly due to an impairment loss on an available-for-sale investment of approximately RMB16 million which was offset by a decease in loss on disposal of property, plant and equipment of approximately RMB4 million.

Finance Costs

Finance costs increased by approximately RMB25 million or 47.7% from approximately RMB53 million in FY2010 to approximately RMB79 million in FY2011. The increase was due to higher interest rates and more interest-bearing bank loans and borrowings in FY2011 as compared against FY2010. Approximately RMB7

million in borrowing cost had been capitalised in FY2011 as the amount was directly used to finance the Production Plant IV construction.

Income Tax Expense

Income tax expense increased by approximately RMB13 million or 41.2% from approximately RMB31 million in FY2010 to approximately RMB44 million in FY2011 due to higher taxable profits.

Net Profit Attributable to Owners of the Group

The net profit attributable to owners of the Group increased by approximately RMB36 million or 24.9% from approximately RMB145 million in FY2010 to approximately RMB181 million in FY2011. This is mainly due to the increase in gross profit by approximately RMB142 million led by the increase in urea and compound fertiliser average selling prices and sales volume in FY2011. The increase in net profit attributable to owners of the Group in FY2011 was partially offset by an impairment loss on an available-for-sale investment, increases in selling and distribution expenses, general and administrative expenses and finance costs by approximately RMB16 million, RMB32 million, RMB32 million and RMB25 million respectively.

Financial Resources, Liquidity and Position of Liabilities

As at 31 December 2011, the Group's total assets was approximately RMB4,188 million (2010: RMB3,195 million), of which current assets amounted to approximately RMB1,291 million (2010: approximately RMB665 million) and non-current assets was approximately RMB2,897 million (2010: approximately RMB2,530 million). Total liabilities was RMB2,126 million (2010: approximately RMB1,606 million), of which current liabilities was approximately RMB1,003 million (2010: RMB547 million) and non-current liabilities was approximately RMB1,123 million (2010: approximately RMB1,058 million). Shareholders' equity was RMB2,062 million (2010: approximately RMB1,589 million).

Gearing

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

Gearing Ratio	2011 RMB'000	2010 RMB'000
Due to related companies	163	723
Trade payables	120,843	40,152
Bills payable	0	37,500
Accruals and other payables	336,373	265,049
Interest-bearing bank and other borrowings	1,608,091	1,223,411
Less: Cash and cash equivalents	(514,098)	(162,773)
Less: Pledged deposits	(10,000)	(18,780)
Net debt	1,541,372	1,385,282
Shareholders' equity	2,061,677	1,589,490
Less: Statutory reserve fund	(133,655)	(110,678)
Total capital	1,928,022	1,478,812
Capital and net debt	3,469,394	2,864,094
Gearing ratio	44.4%	48.4%

Management Discussion and Analysis

Net debt of the Group includes loans and borrowings, trade and other payables, other liabilities less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less the above-mentioned restricted statutory reserve fund.

Loans

Amounts payable in one year or less, or on demand

	As at 31 December 2011		As at 31 December 2010	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank Loans	90,000	451,000	30,000	170,000

Amounts payable after one year

	As at 31 December 2011		As at 31 December 2010	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank Loans	–	1,058,000	90,000	923,000
Loan from government	–	9,091	–	10,411
	–	1,067,091	90,000	933,411

Details of collateral

As at 31 December 2011, the Group has total of approximately RMB90 million short-term loans (31 December 2010: approximately RMB30 million short-term loans and approximately RMB90 million long-term loans) which are guaranteed by Xinxiang Xinya Paper Group Ltd, an independent third party of the Group.

Employees

As at 31 December 2011, there were 3,834 (2010: 3,415) 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. Employee benefits provided

by the Group include social insurance fund, provident fund schemes, medical insurance scheme, unemployment insurance scheme and housing provident fund. For the year ended 31 December 2011, the total staff costs of the Group were approximately RMB84 million (2010: RMB57 million).

Contingent Liabilities

As at 31 December 2011, the Group had no material contingent liabilities (2010: Nil).

Material litigation and arbitration

As at 31 December 2011, the Group was not involved in any material litigation or arbitration.

(III) Supplementary Information

1. Reconciliation between SFRSs and International Financial Reporting Standards ("IFRSs")

For the year ended 31 December 2011, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRS, International Accounting Standards and Interpretations).

2. 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.

(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

Management Discussion and Analysis

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 5.4% in the year ended 31 December 2011 as compared to an increase of 3.3% in 2010. 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 2011, approximately RMB541.0 million or 33.6% (31 December 2010: RMB200.0 million or 16.3%) 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 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 debts or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010. As at 31 December 2011, the gearing ratio of the Group (calculated as net debt divided by total capital plus net debt) dropped to 44.4% from 48.4% as at 31 December 2010. As at 31 December 2011, the Group had no pledge of assets except for the pledged bank deposits of RMB10 million (2010: RMB18.8 million).

Our attention to a highly meticulous operational process is an attitude that is prevalent from the management team through to the front line team members. We are committed to a high level of professionalism.

Dedication to Precision

Having focused on coal-based urea production for over 40 years, our on-going goal is to develop better products that are energy efficient and environmentally friendlier. A tight rein on maintaining cost effectiveness will continue to be one of our key competitive advantages.

Unwavering Reliability

Our senior management team have an average service span of at least 20 years with the Company. Shared experiences over the years have built strong bonds of understanding and mutual respect. A new member from an international private equity fund joined the board in 2011, enhancing proficiency in corporate governance and ensuring prudent capital investments.

Biographies of Board of Directors and Senior Management

Board of Directors

Executive Director

MR. LIU XINGXU *Chairman of Board of Directors and Chief Executive Officer*

Aged 57, is principally in charge of our Group's overall strategic direction as well as the management of our day-to-day business operations. Mr. Liu was appointed as our executive Director on 26 July 2006. Mr. Liu has approximately 15 years of experience in the chemical fertiliser industry. He is currently the Vice Chairman of China Nitrogen Fertiliser Industry Association. Mr. Liu was appointed the factory head of Xinxiang Factory, a state-owned enterprise, in charge of factory operations in 1994 and then became the general manager of Henan Xinlianxin Chemicals Group Co., Ltd. ("**XLX Chem**") from July 2003 to July 2006. He has been general manager of Henan XLX Fertiliser since July 2006. In February 2003, Mr. Liu was awarded the "Provincial Safe Production Advanced Worker" by Safe Production Supervision Bureau of Henan Province and Personnel Bureau of Henan Province for outstanding performance in safety work. In April 2004, he was awarded the "Henan Province Labour Model (Advanced Worker)" and in 2005, he was awarded the "Henan Province Outstanding Private Enterprise Entrepreneur" by the People's Government of Henan Province, and he was the winner of "National Labor Day Medal" in 2009 issued by All-China Federation of Trade Unions. Mr. Liu graduated from Xinxiang Broadcasting and Television University in July 1986 with a Diploma in Arts. In 2006, he completed EDP (Executive Development Programs) courses from Guanghua School of Management, Peking University. In 2010, Mr. Liu was awarded the qualification of Senior Economist by the People's Government of Henan Province and the EMBA degree from Tsinghua University.

MS. YAN YUNHUA *Chief Financial Officer*

Aged 41, is principally in charge of all financial matters within our Group. Ms. Yan was appointed as our executive Director on 10 November 2006. Ms. Yan obtained the accountant certification from the Ministry of Finance of the PRC in May 1997. She graduated from Xi'an Communications University in July 2003 with a degree in accountancy and obtained the senior accountant certification from Henan Province Accountant Series Senior Assessment Committee in December 2005. Ms. Yan obtained the EMBA (Executive Master of Business Administration) degree from Guanghua School of Management, Peking University in July 2009. Ms. Yan has more than 14 years of accounting and finance experience. Ms. Yan is currently the executive chairman of the Finance Research Association of China Nitrogen Fertiliser Industry Association and executive member of Henan Accountants Association. She joined Xinxiang Factory in December 1997 and held various positions in Xinxiang Factory, including the deputy head of finance division and the deputy chief accountant. She was the chief accountant in charge of finance of XLX Chem from 2003 to July 2006. She has been the deputy general manager of Henan XLX Fertiliser since July 2006. Ms. Yan was awarded the Accountants Contribution Award in PRC in 2008, and Advanced Worker in Accounting of Henan Province in 2009.

MR. LI BUWEN

Aged 59, is principally in charge of the overall administrative functions of our Group. Mr. Li was appointed as our executive Director on 10 November 2006. Mr. Li has more than 30 years of experience in chemical fertiliser industry. Mr. Li held various positions in Xinxiang Factory, including the deputy head of Xinxiang Factory. He was the deputy general manager in charge of administration department of XLX Chem from August 2003 to July 2006. He has been the deputy general manager of Henan XLX Fertiliser in charge of administrative matter since July 2006. Mr. Li obtained certification from the State Economic and Trade Commission Economic Cadre Training Centre, National Enterprises Human Resource Management and Development in May 2001 and certification from the Beijing Quality Association Quality Management Technical Services Centre Internal Quality System Inspector in August 2005. As recognition of his contribution to the development of nitrogenous fertiliser industry, he was awarded the "Award of Excellence" by Nitrogenous Fertiliser Industrial Association in February 1998.

Non-executive Director

MR. LIAN JIE

Aged 37, has been appointed as our non-executive director since 21 December 2011. Now he is a partner of Primavera Capital Group, a private equity fund which focuses on China.

Mr. Lian currently is an independent non-executive director of Bona Film Group (a company listed on Nasdaq Global Market). From 2009 to 2010, Mr. Lian served as a Managing Director of Hong Kong Investment Banking, China International Capital Corporation Limited, before which Mr. Lian held various positions in Goldman Sachs, including as a Managing Director of Hong Kong Investment Banking Division during 2001 to 2009. Mr. Lian owns EMBA (Executive Master of Business Administration) degree of Tuck School of Business at Dartmouth.

Biographies of Board of Directors and Senior Management

Independent Non-executive Directors

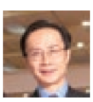
MR. ONG KIAN GUAN

Aged 44, has been appointed as our independent non-executive Director since 11 May 2007. Mr. Ong has been an audit partner with Baker Tilly TFW LLP since October 2005. He is also an independent director of three other companies listed in Singapore which includes JES International Holdings Limited, China Haida Ltd. and China Animal Healthcare Ltd.

Mr. Ong graduated from the Nanyang Technological University in Singapore with a bachelor of accountancy in May 1992. Mr. Ong was appointed as our lead independent non-executive Director because the Singapore Code of Corporate Governance (the "**Singapore Corporate Governance Code**") issued by the SGX-ST provides that companies incorporated in Singapore may appoint an independent non-executive director to be the lead independent director while the chairman and the chief executive officer is the same person. Given that Mr. Liu is both our chairman and the chief executive officer, Mr. Ong has been appointed as our lead independent non-executive Director. Based on the provisions of the Singapore Corporate Governance Code, the role of the lead independent non-executive director is to be available to shareholders when they have concerns which (i) cannot be resolved even after they have brought it to the attention of the chairman and chief executive officer; or (ii) are inappropriate to be brought to the attention of the chairman and chief executive officer of that company.

MR. LI SHENGXIAO

Aged 49, has been appointed as our independent non-executive Director since 11 May 2007. He has been a professor in Shaoxing Arts and Science College since November 2004 and is currently the dean of school of economics and management in Shaoxing Arts and Science College. Mr. Li has been the instructor of establishment of Zhejiang province small and medium enterprises in Zhejiang Province Small and Medium Enterprises Bureau since October 2006. Mr. Li has been an independent non-executive director of Zhejiang Jinggong Technology, a company listed on the Shenzhen Stock Exchange since August 2006. Mr. Li graduated from Hangzhou University (which is currently known as Zhejiang University currently) in July 1987 with a graduation certificate in politics. He then obtained a master's degree in law from Hangzhou University in July 1990. He was awarded Zhejiang province high school outstanding youth teacher in September 1991.



MR. ONG WEI JIN

Aged 45, has been appointed as our independent non-executive Director since 11 May 2007. He is a partner in Colin Ng & Partners (a law firm established in Singapore in 1988). As his prime business scope is corporate finance and general corporate law, he also advises on securities supervision and compliance matters to investment adviser services and dealer activities. He is an independent director of Luzhou Biochem Technology Limited and NTI International Limited which are listed on SGX. Mr. Ong obtained a bachelor of laws from the National University of Singapore in 1990, a master of business administration from University of Hull in 1993, and a master of laws from the National University of Singapore in 1995. And he was registered as a defense lawyer and solicitor of Singapore Supreme Court.

Senior Management

MR. ZHANG QINGJIN

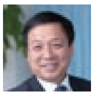
Aged 45, has been the executive deputy general manager of Henan XLX Fertiliser since July 2011, and was the deputy general manager in charge of human resource department of Henan XLX Fertiliser since November 2006. He has over 20 years of experience in the chemical fertiliser industry. Mr. Zhang joined Xinxiang Factory in July 1987 and held various positions, including unit head of equipment and facility department, unit head of production and technical unit and section head of equipment and facility upgrade and the department head of technical upgrade in Xinxiang Factory. He was appointed as the manager of the technical centre of XLX Chem from August 2003 to July 2006. Mr. Zhang was the manager of the technical centre of Henan XLX Fertiliser from July 2006 to November 2006. Mr. Zhang graduated from Zhengzhou Engineering College in July 1987 with a diploma in chemical equipment and obtained the EMBA degree from Tsinghua University in 2009.

MR. RU ZHENGTAO

Aged 55, is the deputy general manager in charge of production department of Henan XLX Fertiliser since 31 July 2006. Mr. Ru has more than 30 years' experience in the chemical fertiliser industry. He started his career with Xinxiang Factory in 1974 and held various positions including assistant to head of Xinxiang Factory, deputy head of Xinxiang Factory and head of nitrogen fertiliser plant of Xinxiang Factory. He was the deputy general manager of XLX Chem from July 2003 to July 2006. Mr. Ru graduated from Zhengzhou Engineering College with a tertiary certificate in March 1993. He was awarded the "Technological Reformation Results Third Prize for Reforming Urea Granule-making Nozzle to Produce Large Urea Granules" by Xinxiang Trade Union, Xinxiang Science and Technology Committee, Xinxiang Economic Committee and Xinxiang Finance Bureau in February 1999.

MR. LI YUSHUN

Aged 51, is the deputy general manager in charge of the R&D department of Henan XLX Fertiliser since 31 July 2006. Mr. Li has more than 20 years of experience in the chemical fertiliser industry. He joined Xinxiang Factory in August 1982 and was appointed as the deputy factory head of Xinxiang Factory in 1993. Mr. Li was the deputy general manager in charge of research and development department of XLX Chem from August 2003 to July 2006. Mr. Li graduated from Zhengzhou Engineering College in July 1982 with a major in chemical technology. In 2004, he was awarded First in Third Prize for Adopting the Improved Water Solution Full Circulation Method Urea Technology to Expand Production and Reduce Wastage by the People's Government of Xinxiang. In November 2006, he was awarded the Second Prize in General Treatment and Environmental Protection Project for Zero Discharge of Waste water Produced in the Production of Nitrogen Fertiliser by China Nitrogen Fertiliser Industry Association.



MR. WANG NAIREN

Aged 48, is the deputy general manager in charge of the sales and purchasing department of Henan XLX Fertiliser since 31 July 2006. He has more than 20 years of experience in the chemical fertiliser industry. He held various positions in Xinxiang Factory, including the office head of nitrogen fertiliser plant of Xinxiang Factory from March 1993 and the deputy head and assistant to head of Xinxiang Factory. Mr. Wang was the deputy general manager of sales and marketing department of XLX Chem from August 2003 to July 2006. Mr. Wang obtained a certificate of completion in master's course of business administration from Tianjin Finance College in June 2002.

Biographies of Board of Directors and Senior Management

Joint Company Secretaries

MR. CHEAH SOON ANN JEREMY

Aged 36, has been our financial controller and one of the joint company secretaries since January 2007. Mr. Cheah has over 10 years of experience in finance management. Prior to joining us, he was employed as an assistant manager of finance department in mDR Limited, responsible for cash reporting and implementation of systems, applications and products in data processing (SAP) from August 2004 to November 2006, and was a senior officer of audit department in the Agency for Science, Technology and Research (A*STAR) in 2001 and as an audit assistant in Foo, Kon & Tan Grant Thornton in 1999. Mr. Cheah was awarded as a chartered financial analyst by the Association for Investment Management and Research in September 2002 and has been a member of the Institution of Certified Public Accountants of Singapore since November 2002. Mr. Cheah graduated from the Nanyang Technological University in 1999 with a bachelor's degree in accountancy and from the University of Adelaide in 2008 with a master's degree in business administration.

MS. FOO SOON SOO

Aged 53, has been our joint company secretary since May 2007. Ms. Foo is also acting as the company secretary for various companies in Singapore, including Lee Metal Group Ltd, Colex Holdings Limited, AEI Corporation Ltd., Bonvests Holdings Limited, Superbowl Holdings Limited, Vashion Group Ltd., Amara Holdings Limited, Gallant Venture Ltd., Addvalue Technologies Ltd., Sky One Holdings Limited, Asiamedic Limited, Cortina Holdings Limited, Lereno Bio-Chem Ltd., Roxy-Pacific Holdings Limited, Rotol Singapore Ltd. and Zingmobile Group Limited. Ms. Foo graduated from the National University of Singapore with a bachelor's degree in accountancy in May 1980 and University of London with a bachelor's degree of laws in August 1989. She was admitted fellow in April 1991 by the Institute of Chartered Secretaries and Administrators, London. In August 2004, she was admitted as fellow (FCPA) by the Institute of Certified Public Accountants of Singapore.

MS. LEE WAI FUN BETTY

Aged 51, has been appointed as one of our joint company secretaries since 10 March 2011. Ms. Lee is an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She is ordinarily resident in Hong Kong. She also currently acts as the joint company secretary of the following listed issuers: Harbin Power Equipment Company Limited (stock code: 01133) and Jiangsu Expressway Company Limited (stock code: 00177).

Investor Relations

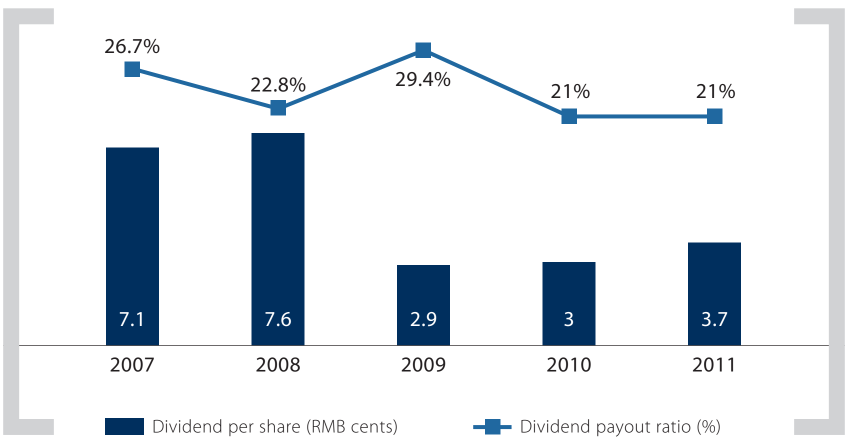
2011 is the fifth year of the Company's listing in Singapore and the third year of its dual primary listing in Hong Kong. The Company has gradually formed a scientific and systematic management mechanism for investor relations after plenty of exploration and practice, which serves as a bridge for effective communication between the Company and the capital market. It also listens attentively to various suggestions and proposals from the capital market with regards to the Company's management and operation in a proactive, sincere and humble manner so as to improve the Company's management quality, enhance shareholders' value and maximize their interests.

Continued Growth in Results with Robust Share Price Performance

In 2011, the profitability of the whole fertiliser industry was still somewhat unsatisfactory. The capital market has been generally pessimistic about our annual results for 2011 after we published the interim results. In view of this situation, the Company effectively communicated with the capital market regarding the strategies and measures taken to tackle such situation through various communication channels including one-on-one meetings, investor forums held by investment banks and non-deal road shows. The efforts therefore enabled a comprehensive understanding of the Company's development prospects and managed expectation of capital market in a timely and effective manner. The Company thereafter announced its sound 2011 3Q results with a substantial increase, thus helping its share price better reflect the value and development prospects of the Company.

Shareholder Returns

The Company attaches great importance to the shareholders' views on its dividend payout. The Company determines its dividends payout with reference to the Company's financial status, long-term development needs and potential investment opportunities. When we were listed on the Singapore Exchange in 2007, we promised to our shareholders that our dividend payout ratio for each of the 3 years from 2007 to 2009 would not be less than 20% of our net profit after tax, and we have kept our promises. Even after the period of promise, we have kept the dividend payout ratio at 20% or above. The dividend payout ratio was maintained at around 21% for the year 2010 and 2011.



Investor Relations

Enhancing Investor Relations Management System

The Company has been committed to establishing a highly efficient and well-organized investor relations management system. As early as in 2010, the Company added an "Investor Relations Information Management System" module in its internal office automation system to realize the IR information sharing. All industry updates and relevant operating data from the headquarters are reported to the representatives of investor relations based in Hong Kong and Singapore in a timely manner. Meanwhile, latest dynamics of the capital market including analyst reports, media coverages and investor relations activities are also promptly reported to the top management. As a result, the whole company is aware of the importance of investor relations. At the beginning of each year, the Company will come up with a plan for investor relations management for the whole year and focus on results announcement, non-deal roadshows and information disclosure. The Company also further upgraded the investor database with the support of its established investor relations management platform, thus standardizing and systematizing the major work on investor relations, including investor meeting scheduling, investor information's collection and classification as well as investor shareholding analysis.

Facilitating Diversified and Multi-channelled Investor Activities

The Company communicated its development philosophy and strategies and its latest operation results in the capital market in a timely manner through various investor communication channels, including analyst briefings, non-deal roadshows, one-on-one meetings, investor forums organized by investment banks, telephone conferences, emails, and investors' on-site visits as well as the Company's website. Meanwhile, according to the needs and styles of different analysts and investors, the Company flexibly arranged senior managements with different responsibilities to participate various investor relations activities. Since the dual primary listing in Hong Kong in 2009, the Company's senior managements including Chairman and Chief Financial Officer have participated in plenty of investor activities to fully communicate with the capital market, which truly realized multi-channelled communications. In 2011, the Company hosted two analyst briefings and two press conferences on its annual results and interim results respectively, held two non-deal roadshows, attended 12 investor forums sponsored by major investment banks, and conducted hundreds of one-on-one meetings and conference calls in the usual courses. We have facilitated communications with a total of nearly 400 investors and analysts for the past year. In response to the requests of the investors, the Company also arranged 18 plant visits to the headquarters of the Group in 2011, so as to give investors a better idea of the operations of the Group.

Investor Relations

Investor relations activities in 2011

Date	Event	Location
December 2011	SWS Overseas – Listed Chinese Private Enterprise Forum	Shenzhen
December 2011	RBS HK/China Access – Seeking Alpha Conference	Hong Kong
November 2011	Press Conference on Strategic Cooperation between China XLX and Primavera Capital	Hong Kong
November 2011	BoA Merrill Lynch 2011 Investor Conference	Beijing
October 2011	2011 Q3 Results • Media Luncheon • One-on-one meeting with analysts	Hong Kong
October 2011	Citibank Greater China Investor Conference	Macau
September 2011	HSBC Global Natural Resources Conference	Singapore
September 2011	Nomura Asia Agriculture & Food Day	Hong Kong
August 2011	Non-deal Roadshow	Hong Kong
August 2011	2011 Interim Results • Analyst Briefing • Press Conference • Stock Commentator Luncheon	Hong Kong
June 2011	Credit Suisse China Investment Conference 2011	Chongqing
May 2011	BOCI China Forum 2011	Tianjin
May 2011	Macquarie Greater China Conference 2011	Hong Kong
April 2011	2011 1Q Results Conference Call	Singapore
March 2011	CLSA Commodities Forum	Hong Kong
March 2011	Non-deal roadshow	Hong Kong
February 2011	2010 Annual Results • Analyst Briefing • Press Conference	Hong Kong
January 2011	Citibank Hong Kong/China Mini Conference (Theme: Commodities)	Hong Kong
January 2011	CLSA Hong Kong/China Access Day	Hong Kong

Investor Relations

Awards and honours received in 2011

Three Awards at the 25th International ARC in 2011

- Silver Award for "Overall Annual Report"
- Silver Award for "Cover Photo/Design"
- Honors Award for Photography

Corporate Governance Report

China XLX Fertiliser Ltd. (the "**Company**") is committed to achieving and maintaining high standards of corporate governance principles and processes in managing the business and affairs, so as to improve the performance, accountability, and transparency of the Company and its subsidiaries (collectively the "**Group**").

During the year under review, the Board of Directors of the Company (the "**Board**") has reviewed its corporate governance practices and ensured that they are in compliance with all the applicable code provisions of the Code of Corporate Governance 2005 (the "**Singapore CG Code**") issued by the Council Corporate Disclosure and Governance, Singapore for the year under review and the Code on Corporate Governance Practices (the "**HK CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**SEHK**") from the date on which the shares of the Company are listed on the SEHK, and the rules in the listing manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**")

This corporate governance report sets out how the Company has applied the principles of good corporate governance in a disclosure-based regime where accountability of the Board to the Company's shareholders and the management to the Board provides the framework for achieving a mutually beneficial tripartite relationship aimed at creating, enhancing and growing sustainable shareholders' value.

Board Matters

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.

The Board comprises seven directors (the "**Directors**"): 3 executive Directors, one non-executive Director and 3 independent non-executive Directors, having the appropriate mix of core competencies and diversity of experience to direct and lead the Company. As at the date of this report, the Board comprises the following members:

Mr. Liu Xingxu	(Chief Executive Officer, Executive Chairman and Executive Director)
Ms. Yan Yunhua	(Chief Financial Officer and Executive Director)
Mr. Li Buwen	(Executive Director)
Mr. Lian Jie	(Non-Executive Director)
Mr. Ong Kian Guan	(Lead Independent non-executive Director)
Mr. Li Shengxiao	(Independent non-executive Director)
Mr. Ong Wei Jin	(Independent non-executive Director)

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the corporate strategies of the Group, sets directions and goals for the management. The Board also supervises the management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

Corporate Governance Report

Regular meetings are held to deliberate the strategic policies of the Company including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results.

The day-to-day management, administration and operation of the Group are delegated to the executive Directors. Each executive Director of the Company has accumulated sufficient and valuable experience to hold his/her position in order to ensure that his/her fiduciary duties can be carried out in an effective and efficient manner.

The Board has formed specialized Committees namely the Audit Committee (the "**AC**"), the Nomination Committee (the "**NC**") and the Remuneration Committee (the "**RC**") (collectively the "**Committees**") to assist in carrying out and discharging its duties and responsibilities efficiently and effectively. The Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Committee is also constantly reviewed by the Board.

The following table discloses the number of meetings held for Board and the Committees and the attendance of all Directors for the financial year ended 31 December 2011:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held	5	4	1	1
Mr. Liu Xingxu	5	N.A.	N.A.	1
Ms. Yan Yunhua	5	N.A.	N.A.	N.A.
Mr. Li Buwen	5	N.A.	N.A.	N.A.
Mr. Lian Jie*	–	N.A.	N.A.	N.A.
Mr. Ong Kian Guan	5	4	1	N.A.
Mr. Li Shengxiao	5	4	1	1
Mr. Ong Wei Jin	5	4	1	1

* appointed on 21 December 2011

While the Board considers Directors' attendance at Board meetings to be important, it should not be the only criterion to measure their contributions. It also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board consists of seven Directors, of whom three are independent non-executive Directors.

The Board is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

For the year ended 31 December 2011, the Board at all times complied with the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and complied with the requirement that these should include one such Director with appropriate professional qualifications of accounting or related financial management expertise. Furthermore, the Company has received from each of its independent non-executive director an annual confirmation of his independence pursuant to Rule 3.3 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

There is no relationship among members of the Board. Key information regarding the directors is given in the "Board of Directors" on pages 50 to 55 of this annual report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Report of Directors on pages 74 to 84 of this annual report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of Power and authority, such that no one individual represents a considerable concentration of power.

Mr. Liu Xingxu has been the Executive Chairman and Chief Executive Officer ("**CEO**") since the incorporation of the Company. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered as well as to ensure the Group to grasp business opportunities efficiently and promptly.

Corporate Governance Report

Mr. Liu Xingxu is the largest shareholder of the Company who is deemed to hold approximately 34.34% of the issued share capital of the Company through Pioneer Top Holdings Limited ("**Pioneer Top**")[1]. He is in charge of the Group's overall strategic directions and manages the day-to-day business operations. He also ensures timeliness of information flow between the Board and management. He has played a vital role in developing the business of the Group and has also provided the Group with strong leadership and vision.

Major decisions made by the Executive Chairman and CEO are reviewed by the Board. His performance and appointment to the Board is being reviewed by the NC and his remuneration package is being reviewed by the RC. The AC, NC and RC comprise a majority of independent directors of the Company. As such, the Board believes that there are adequate safeguards in place to ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Note:

1 Pioneer Top is an investment holding company established in the British Virgin Islands. Mr. Liu Xingxu, beneficially owns approximately 42% in Pioneer Top, and holds approximately 58% in Pioneer Top on trust for the beneficiaries under the trust agreement dated 26 July 2006. Mr. Liu has the full discretion to exercise the voting rights held by Pioneer Top in the Company.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

The NC comprises three members, majority of whom including the chairman are independent non-executive directors.

Mr. Li Shengxiao	(Chairman)
Mr. Ong Wei Jin	(Member)
Mr. Liu Xingxu	(Member)

The NC functions under the terms of reference which sets out its responsibilities:

(a) to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an independent non-executive Director. All Directors shall be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years;

(b) to determine annually whether or not a Director is independent;

(c) in respect of a director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards; and

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long terms shareholders' value.

The Company has in place policies and procedures for the appointment of new Directors to the Board, including a search and nomination process. The articles of association of the Company (the "**Articles**") have stated clearly the procedures for the appointment of new Directors, re-election and removal of Directors. The service contracts with the executive Directors commenced on 8 December 2009, with a specific term of 3 years, renewable automatically for successive terms of three years from 8 December 2012 respectively, provided that the appointments may be terminated by the Company or respective Director with a written notice of not less than six months. The service contract with the independent non-executive Directors commenced on 8 December 2009 with a specific term of 3 years provided that the appointments may be terminated by the Company or respective Directors with a written notice of not less than 3 months. There is no service contract with the non-executive Director, Mr. Lian Jie, and his appointment is for no fixed term.

The Articles require one-third of the Board to retire from office at each annual general meeting ("**AGM**"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Articles, Ms. Yan Yunhua and Mr. Li Buwen will retire, and being eligible, offer themselves for re-election at the forthcoming AGM to be held on 27 April 2012. Pursuant to Article 88, Mr. Lian Jie who was appointed on 21 December 2011 will retire, and being eligible, offer himself for re-election at the forthcoming AGM.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC examines the Board's size on an annual basis to satisfy that it is appropriate for effective decision making, taking into account the nature and scope of the Company's operations.

The NC has reviewed and evaluated the performance of the Board, taking into consideration the attendance record at the meetings of the Board and the Committees and also the contribution of each Director to the effectiveness of the Board.

Where a Director has multiple board representations, the NC will evaluate whether or not the Director is able to carry out and has been adequately carrying out his/her duties as a director of the Company.

For the current year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

Corporate Governance Report

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognisant of the decisions and actions of the Company's executive management. The Board has unrestricted access to the Company's records and information.

Senior members of management staff are available to provide explanatory information in the form of briefings to the directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The Board has separate and independent access to the company secretaries of the Company (the "**Company Secretary(ies)**") and to other senior management executives of the Company and of the Group at all times in carrying out their duties. The Company Secretary or his/her representative attends all Board meetings and meetings of the Board committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of the Committees' meetings are circulated to the Board.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

Remuneration Matters

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

To effect the best corporate governance, the Company has established the RC with written terms of reference since July 2007. The RC comprises three members, all of whom are independent non-executive Directors. The members of the RC are:

Mr. Ong Wei Jin	(Chairman)
Mr. Ong Kian Guan	(Member)
Mr. Li Shengxiao	(Member)

The RC recommends to the Board a framework of remuneration for the Directors and executive officers, and determines specific remuneration package for each executive Director. The recommendations will be submitted for endorsement by the Board.

All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and benefits in kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his/her remuneration package.

The RC is responsible for the following:

(a) to recommend to the Board a framework of remuneration for the Directors and executive officers, any to determine specific remuneration packages for each executive Director and the CEO (or executive of equivalent rank);

(b) in the case of service contracts, to consider what compensation commitments the Directors' or executive officers' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of such long-term incentive schemes (if any) including share schemes as may be implemented, to consider whether directors should be eligible for benefits under such long-term incentive schemes.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of non-executive Directors is also reviewed to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors.

The Company will submit the quantum of Directors' fees of each year to the shareholders for approval at each AGM.

The executive Directors have service agreements. The service agreements cover the terms of employment.

Corporate Governance Report

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The summary compensation table for the top five key executives (who are not directors) of the Group for the financial year ended 31 December 2011 is set out below:

	Salary %	Bonus %	Directors' Fees %	Total Compensation %
S$500,000 and above	–	–	–	–
S$250,000 to S$499,999	–	–	–	–
Below S$249,999				
Yao Jie	85	15	–	100%
Cheah Soon Ann Jeremy	87	13	–	100%
Ru Zhengtao	30	70	–	100%
Li Yushun	31	69	–	100%
Wang Nairen	29	71	–	100%

The summary compensation table for the Directors of the Group for the financial year ended 31 December 2011 is set out below:

	Salary %	Bonus %	Directors' Fees %	Total Compensation %
S$500,000 and above	–	–	–	–
S$250,000 to S$499,999				
Mr. Liu Xingxu	50	50	–	100
Madam Yan Yunhua	51	49	–	100
Mr. Li Buwen	51	49	–	100
Below S$249,999				
Mr. Ong Kian Guan	–	–	100	100
Mr. Li Shengxiao	–	–	100	100
Mr. Ong Wei Jin	–	–	100	100
Mr. Lian Jie	–	–	–	–

Immediate Family Member of Directors or Substantial Shareholders

No employee of the Company and its subsidiaries was an immediate family member of a Director and/or a substantial shareholder whose remuneration exceeded S$150,000 during the financial year ended 31 December 2011.

Accountability and Audit

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST (the "**Listing Manual**") and the Listing Rules.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

Corporate Governance Report

The Board also acknowledges its responsibility for preparing the financial statements of the Group. The Board ensures that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in "The Independent Auditor's Report" on pages 86 to 87 of this annual report.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Company has established the AC since July 2007 comprising the following three members, all of whom are independent non-executive Directors:

Mr. Ong Kian Guan	(Chairman)
Mr. Li Shengxiao	(Member)
Mr. Ong Wei Jin	(Member)

The AC functions under the terms of reference which sets out its responsibilities as follows:

i. review the audit plans and reports of our internal and external auditors;

ii. review the financial statements before submission to the Board for approval;

iii. review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal thereof;

iv. review the interested person transactions (within the definition of the Listing Manual) involving the Group in accordance with the Listing Manual and the Listing Rules;

v. review the effectiveness and adequacy of the internal accounting and financial control procedures;

vi. generally undertake such other functions and duties as may be required by the Listing Manual and the Listing Rules;

vii. review and approve future hedging policy, instruments used for hedging and foreign exchange policy and practice of the Group (if it becomes applicable to the Group in the future); and

viii. consider the appointment and termination of our internal auditors

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting any resolutions in respect of matters he/she is interested in.

The AC has full access to and co-operation of the management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC meets with both the external and internal auditors without the presence of the management at least once a year.

The Company confirms that it has complied with rules 712 and 715 of the Listing Manual in engaging Ernst & Young LLP, registered with the Accounting and Corporate Regulatory Authority, Singapore, as the external auditors of the Company, and a member of the Ernst & Young global network for its subsidiaries in China. The AC reviews the independence of the external auditors annually. The AC, having reviewed the range and value of non-audit services performed by the external auditors, Ernst & Young LLP, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC recommended that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditors. During the year under review, the Company has paid an aggregate of approximately S$280,000 (2010: approximately S$280,000) to the external auditor for its audit services, and has paid an aggregate of approximately S$230,000 (2010: approximately S$50,000) to the external auditors for its other non-audit professional services.

The Company has in place a whistle-blowing framework for employees of the Group to raise concerns about improprieties.

Internal Controls

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The AC will ensure that a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management, is conducted annually. In this respect, the AC will review the audit plans, and the findings of the external and internal auditors and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. The Company will continue to make efforts in improving its internal control system.

Corporate Governance Report

Based on the reports submitted by the external and internal auditors and the various management controls put in place, the Board with the concurrence of the AC is satisfied that the internal control systems provide reasonable assurance that, to a material extent, assets are safeguarded and that proper accounting records are maintained and financial statements are reliable.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Company has in place an internal audit function comprising four staffs and headed by Mr. Huang Beng Fa, to check and report on the internal affairs of the Group. Mr. Huang reports directly to the AC and is not related to the Directors, executive officers or substantial shareholders.

The primary functions of internal audit are to:

(a) assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;

(b) assess if operations of the business processes under review are conducted efficiently and effectively; and

(c) identify and recommend improvement to internal control procedures, where required.

The AC has reviewed the internal auditors and external auditors' report and the internal controls in place, and is satisfied that there are adequate internal controls in the Company.

Risk Management

The Group's system of internal controls has a key role in the identification and management of risks that are significant to the achievement of its business objectives. The process of business risk management has been integrated throughout the Group into business planning and monitoring process. Management continuously evaluates and monitors the significant risks. The Board reviews the overall risk management process to ensure that there are adequate controls and other processes in place to manage the significant risks identified.

The significant risk factors relevant to the Group's operations and the associated mitigating factors are discussed in pages 46 to 47 of the Annual Report.

In compliance with the rule 1207(10) of the Listing Manual Rule and the HK CG Code, the Board with the concurrence of the AC is satisfied with the adequacy of the internal controls addressing financial, operational and compliance risks.

Communication with Shareholders and Investors

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGM's and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

In line with continuous obligations of the Company pursuant to the Listing Manual and Listing Rules, the Board's policy is that all shareholders be informed of all major developments that impact the Group.

Information is disseminated to shareholders and investors on a timely basis through:

(a) SGXNET and SEHK announcements and news release;

(b) Annual Report prepared and issued to all shareholders;

(c) Press releases on major developments of the Group;

(d) Notices of and explanatory memoranda for AGM and extraordinary general meetings ("**EGM**"); and

(e) Company's website at http://www.chinaxlx.com.hk at which shareholders can access information on the Group, and Roadshows organized by banks and plant visits to our factory.

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairman of the Committees are normally available at the meetings to answer any question relating to the work of the Committees. The External Auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the AGM/EGM to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the meeting will be advertised in newspapers and announced on SGXNET and SEHK's website.

Corporate Governance Report

Directors' Securities Transactions

The Company has adopted a code of conduct rules regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules and Rule 1207(19) of the Listing Manual (the "**Model Code**"). In addition, the specific enquiry has been made to all Directors in relation to whether the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions.

Interested Person Transactions Policy

The Company adopted an internal policy in respect of any transactions with interested person (as defined in Listing Manual) and connected persons (as defined in the Listing Rules) and has established procedures for review and approval of the interested person transactions entered into by the Group. The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

The interested person transactions transacted for the year ended 31 December 2011 by the Group are as follows:

Name of Interested Person	Aggregate value of all interested person transactions conducted (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) RMB'000
Henan Xinlianxin Chemicals Group Co., Ltd.	19,959	–

Material Contracts

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Directors, or controlling shareholders.

Report of the Directors

The directors (the "**Directors**") of China XLX Fertiliser Ltd. (the "**Company**") are pleased to present their report to the members together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 20 to the financial statements. On 22 November 2011, the board of directors announced its decision to acquire 100% of equity and voting interest in a coal mining company, 瑪納斯天利煤業有限責任公司. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 88 to 156 of this annual report.

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of Renminbi ("**RMB**") 3.70 cents (2010: RMB3.00 cents) per share in respect of the year to shareholders of the Company (the "**Shareholders**") on the register of members on 10 May 2012. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Summary of financial information

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 157 of this annual report.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Share capital and convertible bonds

There were no movements in the Company's issued capital during the year. Details of the Company's share capital and movement in the Company's convertible bonds are set out in notes 33 and 31 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

Purchase, redemption or sale of shares

Neither the Company, nor its subsidiaries purchased, redeemed or sold its equity securities during the year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in the statements of changes in equity in pages 91 to 92 of this annual report.

Charitable contributions

During the year, the Group made charitable contributions totalling RMB200,000 (2010: RMB1,151,000).

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 43% of the total purchases for the year and purchases from the largest supplier included therein amounted to 14%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Directors

The Directors of the Company during the year are:

Executive Directors:
Liu Xingxu
Yan Yunhua
Li Buwen

Non-executive Director:
Lian Jie (appointed on 21 December 2011)

Independent non-executive Directors:
Ong Kian Guan
Li Shengxiao
Ong Wei Jin

In accordance with Article 89 of the Articles, Ms. Yan Yunhua and Mr. Li Buwen will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Mr. Lian Jie will retire in accordance with Article 88 of the Articles and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. The independent non-executive directors are appointed for periods of three years.

The Company has received annual confirmations of independence from each of the independent non-executive Directors and considers them to be independent.

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' and senior management's biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 50 to 55 of this annual report.

Directors' service contracts

Each of the executive directors entered into a service contract with the Company for an initial term of three years commencing from 8 December 2009, renewable automatically for successive terms of three years upon the date of expiry of the first three-year period, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing at the end of the initial term or at any time thereafter.

The Company has issued a letter of appointment to each of the independent non-executive directors of the Company for an initial term of three years commencing from 8 December 2009.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

The Directors' remuneration is subject to approval by the remuneration committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 9 to the financial statements.

Report of the Directors

Highest paid individuals

During the year, the five individuals with the highest remuneration in the Group are all Directors and senior management of the Company. Details of the highest paid individuals are set out in note 10 to the financial statements.

Directors' interests in contracts

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or its subsidiaries was a party during the year under review.

Directors' and chief executive's interests and short positions in shares and underlying shares and debentures

As at 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) of the laws of Hong Kong (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to The Stock Exchange of Hong Kong ("**SEHK**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**"), were as follows:

Long positions in shares and underlying shares of the Company

	Number of issued shares in the Company		Number of underlying shares upon conversion of the convertible bonds		
Name of Directors	Personal interests	Corporate interests	Corporate interests	Total interest	Approximate percentage of shareholding
Mr. Liu Xingxu (Note (a))	600,000	343,376,000	–	343,976,000	29.25%
Ms. Yan Yunhua (Note (b))	300,000	297,734,000	–	298,034,000	25.34%
Mr. Li Buwen (Note (c))	–	54,940,000	–	54,940,000	4.67%
Mr. Ong Kian Guan	100,000	–	–	100,000	0.01%

Notes:

(a) Mr. Liu Xingxu beneficially owns approximately 42% of equity interest in Pioneer Top Holdings Limited ("**Pioneer Top**") and holds approximately 58% of equity interest in Pioneer Top in trust for seven beneficiaries (including Mr. Li Buwen) under a trust agreement, and Pioneer Top in turn holds approximately 34.34% of the total issued shares in the Company. Pursuant to the trust agreement dated 26 July 2006, Mr. Liu Xingxu is irrevocably granted the absolute discretion to exercise the voting rights and the rights to the day-to-day management in Pioneer Top.

(b) Ms. Yan Yunhua beneficially owns approximately 12.74% of equity interest in Go Power Investments Limited ("**Go Power**") and holds approximately 87.26% of the equity interest in Go Power in trust for a total of 1,463 beneficiaries under a trust agreement, and Go Power in turn holds approximately 29.77% of the total issued shares in the Company. Pursuant to the trust agreement, Ms. Yan Yunhai is irrevocably granted the absolute discretion to exercise the voting rights and the rights to the day-to-day management in Go Power.

(c) Mr. Liu Xingxu holds 16% of the equity interest in Pioneer Top in trust for Mr. Li Buwen in accordance with a trust agreement, and Pioneer Top holds approximately 34.34% of the total issued shares in the Company.

There was no change in any of the above-mentioned interests between the end of the financial year of 2011 and 21 January 2012.

Save as disclosed above, as at 31 December 2011, none of the Directors, chief executive of the Company nor their associates had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the above-mentioned Model Code.

Interests of Directors and supervisors in competing businesses

During the year and up to the date of this annual report, none of the Directors has any interest in a business which competes or may compete with the business of the Group under the Listing Rules.

Management contracts

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed.

Options

The Group has no share option scheme.

Report of the Directors

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interests	Number of ordinary shares held	Number of underlying shares upon conversion of the convertible bonds	Total interest	Percentage of the Company's issued share capital
Pioneer Top (Note (a))	Registered owner	343,376,000	–	343,376,000	29.20%
Mr. Liu Xingxu (Note (a))	Deemed interest and interest in a controlled company	343,376,000	–	343,376,000	29.20%
Mr. Liu Xingxu (Note (a))	Directly beneficially owned	600,000	–	600,000	0.05%
Go Power (Note (b))	Registered owner	297,734,000	–	297,734,000	25.32%
Ms. Yan Yunhua (Note (b))	Deemed interest and interest in a controlled company	297,734,000	–	297,734,000	25.32%
Ms. Yan Yunhua (Note (b))	Directly beneficially owned	300,000	–	300,000	0.03%
Nitro Capital Limited ("Nitro") (Note (c))	Directly beneficially owned	–	176,000,000	176,000,000	14.97%
Primavera Capital (Cayman) Fund I L.P. (Note (c))	Interest in a controlled company	–	176,000,000	176,000,000	14.97%

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 58% of the equity interest in Pioneer Top in trust for seven beneficiaries, including approximately 16% for Mr. Li Buwen, the Company's executive director, and approximately 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao, 7% for Mr. Wang Nairen and 7% for Mr. Zhang Qingjin, the Company's senior management, and approximately 7% for Mr. Zhu Xingye and 7% for Mr. Shang Dewei, the Company's 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.

(c) Nitro is an investment holding company established in Cayman Islands and is also a wholly-owned subsidiary of Primavera Capital (Cayman) Fund I L.P..

Save as disclosed above, as at 31 December 2011, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded.

Continuing connected transactions

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen currently hold an aggregate of approximately 17.5% interest in Henan Xinlianxin Chemicals Group Co., Ltd. ("**XLX Chem**"), where their respective shareholdings are the largest in XLX Chem, and they have the largest influence through their shareholders' rights in the major decisions in XLX Chem. Therefore, XLX Chem, its subsidiaries and associates (collectively "**XLX Chem Group**") are deemed as the Company's connected persons under Rule 14A.11(4)(a) of the Listing Rules. XLX Chem Group is also deemed as the Company's "interested person" in accordance with the listing rules of the SGX-ST (the "**Listing Manual**") in Singapore.

Non-exempt continuing connected transactions

(i) **Utilities Supply Framework Agreement**

The Group has entered into the Utilities Supply Framework Agreement dated 20 October 2009 with XLX Chem Group, pursuant to which the Group has agreed to supply water, electricity and steam to XLX Chem and the agreement expired on 31 December 2011 and is automatically renewable for further periods of no more than three years subject to compliance with the applicable provisions of each of the Listing Rules and the Listing Manual.

For the year ended 31 December 2011, the aggregate amount received by the Group from XLX Chem Group amounted to RMB11,181,000 and has been accounted for as other income in the Group's consolidated statement of comprehensive income.

Report of the Directors

(ii) Equipment Purchase Framework Agreement

The Group has entered into the Equipment Purchase Framework Agreement dated 20 October 2009 with XLX Chem Group, pursuant to which XLX Chem Group has agreed to supply equipment to the Group, including pipes, containers and high-pressure containers for production, and repair and maintenance. The agreement expired on 31 December 2011 and is automatically renewable for further periods of no more than three years subject to compliance with the applicable provisions of each of the Listing Rules and the Listing Manual.

For the year ended 31 December 2011, the aggregate amount paid by the Group for the sourcing of equipment was RMB2,447,000 and has been accounted for as inventories in the consolidated statement of financial position.

(iii) Lifting Services Framework Agreement

The Group has entered into the Lifting Services Framework Agreement dated 20 October 2009 with XLX Chem Group, pursuant to which XLX Chem Group has agreed to provide lifting services to the Group on an as-need basis. The agreement expired on 31 December 2011 and is automatically renewable for further periods of no more than three years subject to compliance with the applicable provisions of each of the Listing Rules and the Listing Manual.

The service expenses paid by the Group to XLX Chem Group under this agreement amounted to approximately RMB2,507,000 for the year ended 31 December 2011 and has been accounted for as cost of sales in the consolidated statement of comprehensive income.

(iv) Accommodation and Catering Services Framework Agreements

The Group has entered into the Accommodation and Catering Services Framework Agreements dated 20 August 2008 and 25 March 2011, respectively with XLX Chem Group, pursuant to which XLX Chem Group has agreed to provide accommodation and catering services to the Group on an as-need basis.

The service expenses paid by the Group to XLX Chem Group under these agreements amounted to approximately RMB3,823,000 for the year ended 31 December 2011 and has been accounted for as general and administrative expenses in the consolidated statement of comprehensive income.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with International Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institutes of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Bank loans and other borrowings

Details of the bank loans and other borrowings of the Group are set out in note 30 to the financial statements.

Corporate governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 60 to 73 of this annual report.

Subsidiaries

Details of the Company's subsidiaries are set out in note 20 to the financial statements.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Report of the Directors

Responsibility of Directors on financial statements

The Companies Ordinance (Cap. 32) of the laws of Hong Kong requires the Directors to prepare financial statements for each financial year. Such financial statements should give a true and fair view of the state of affairs of the Company and of the Group as at the end of the reporting period of a particular year and on the profit and loss of the Company and the Group for the year then ended. In preparing the financial statements, the Directors should:

(a) select and apply consistently appropriate accounting policies, and make prudent, fair and reasonable judgement and estimation;

(b) report the reasons for any seriously deviation from accounting practice; and

(c) prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the Company and the Group could continue to operate.

The Directors are responsible for the proper keeping of accounting records in order to secure the assets of the Company and the Group. The Directors are also responsible for adopting reasonable measures to prevent and check any fraudulences and irregularities.

Audit Committee

The Audit Committee ("**AC**") carried out its functions including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the board of directors;
- Reviews the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;

- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of meetings of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions (also known as connected transactions) in accordance with the respective requirements of the stock exchanges.

The AC, having reviewed all non-audit services provided by the external auditors of the Company, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as the auditors of the Company.

On behalf of the board of directors:

Liu Xingxu	Yan Yunhua
Director	*Director*

22 March 2012

Statement by Directors

We, Liu Xingxu and Yan Yunhua, being two of the Directors of China XLX Fertiliser Ltd., do hereby state that, in the opinion of the Directors,

(i) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the board of directors:

Liu Xingxu	Yan Yunhua
Director	*Director*

22 March 2012

Independent Auditors' Report

To the shareholders of China XLX Fertiliser Ltd.
(Incorporated in Singapore with limited liability)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of China XLX Fertiliser Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 88 to 156, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2011, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditors' Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

22 March 2012

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	6	3,688,233	2,851,403
Cost of sales		(3,181,860)	(2,487,342)
Gross profit		506,373	364,061
Other income and gains	6	23,986	16,664
Selling and distribution expenses		(70,500)	(38,686)
General and administrative expenses		(136,059)	(104,150)
Other expenses		(20,025)	(8,461)
Finance costs	8	(78,930)	(53,447)
PROFIT BEFORE TAX	7	224,845	175,981
Income tax expense	11	(44,337)	(31,410)
Profit attributable to owners of the parent	12	180,508	144,571
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment			
Change in fair value		(16,073)	–
Reclassification adjustment for impairment loss included in profit or loss		16,073	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		–	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT		180,508	144,571
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents per share)			
Basic and diluted	14	17.96	14.46

Details of the dividend proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	2,542,168	2,414,545
Prepaid land lease payments	16	89,165	89,860
Goodwill	17	6,950	–
Coal mining right	18	41,763	–
Available-for-sale investment	19	–	21,778
Prepayments	23	216,822	4,098
Total non-current assets		2,896,868	2,530,281
CURRENT ASSETS			
Available-for-sale investment	19	5,705	–
Inventories	21	593,114	353,922
Trade receivables	22	28,725	13,567
Bills receivable	22	2,050	18,720
Prepayments	23	116,533	73,957
Deposits and other receivables	23	13,339	7,461
Income tax recoverable		7,263	15,895
Pledged deposits	24, 27	10,000	18,780
Cash and cash equivalents	24	514,098	162,773
Total current assets		1,290,827	665,075
Total assets		4,187,695	3,195,356
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Due to related companies	25	163	723
Trade payables	26	120,843	40,152
Bills payable	27	–	37,500
Accruals and other payables	28	336,373	265,049
Income tax payable		864	–
Deferred grants	29	3,465	3,960
Interest-bearing bank and other borrowings	30	541,000	200,000
Total current liabilities		1,002,708	547,384
Net current assets		288,119	117,691
TOTAL ASSETS LESS CURRENT LIABILITIES		3,184,987	2,647,972

Consolidated Statement of Financial Position (continued)

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	1,067,091	1,023,411
Deferred tax liabilities	32	56,219	35,071
Total non-current liabilities		1,123,310	1,058,482
Total liabilities		2,126,018	1,605,866
Net assets		2,061,677	1,589,490
Equity attributable to owners of the parent			
Issued capital	33	836,671	836,671
Convertible bonds	31	321,996	–
Statutory reserve fund	34	133,655	110,678
Retained profits		732,355	612,141
Proposed final dividend	13	37,000	30,000
Total equity		2,061,677	1,589,490
Total equity and liabilities		4,187,695	3,195,356

Statements of Changes in Equity

Year ended 31 December 2011

Group

	Notes	Issued capital (note 33) RMB'000	Convertible bonds (note 31) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund (note 34) RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2010		836,671	–	–	94,200	514,550	29,222	1,474,643
Profit for the year		–	–	–	–	144,571	–	144,571
Other comprehensive income for the year:								
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	144,571	–	144,571
Transfer to statutory reserve fund	34	–	–	–	16,478	(16,478)	–	–
2009 final dividend declared		–	–	–	–	–	(29,724)	(29,724)
Transfer from retained profits to proposed 2009 final dividend		–	–	–	–	(502)	502	–
Proposed 2010 final dividend	13	–	–	–	–	(30,000)	30,000	–
At 31 December 2010		836,671	–	–	110,678	612,141	30,000	1,589,490
At 1 January 2011		836,671	–	–	110,678	612,141	30,000	1,589,490
Profit for the year		–	–	–	–	180,508	–	180,508
Other comprehensive income for the year:								
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	–	180,508	–	180,508
Transfer to statutory reserve fund	34	–	–	–	22,977	(22,977)	–	–
2010 final dividend declared		–	–	–	–	–	(30,317)	(30,317)
Issue of convertible bonds	31	–	324,366	–	–	–	–	324,366
Convertible bonds issue expenses	31	–	(2,370)	–	–	–	–	(2,370)
Transfer from retained profits to proposed 2010 final dividend		–	–	–	–	(317)	317	–
Proposed 2011 final dividend	13	–	–	–	–	(37,000)	37,000	–
At 31 December 2011		836,671	321,996	–	133,655	732,355	37,000	2,061,677

Statements of Changes in Equity (continued)

Year ended 31 December 2011

Company

	Notes	Issued capital (note 33) RMB'000	Convertible bonds (note 31) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
At 1 January 2010		836,671	–	–	(69,806)	29,222	796,087
Profit for the year		–	–	–	103,026	–	103,026
Other comprehensive income for the year							
Change in fair value of an available-for-sale investment		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	103,026	–	103,026
2009 final dividend declared		–	–	–	–	(29,724)	(29,724)
Transfer from retained profits to proposed 2009 final dividend		–	–	–	(502)	502	–
Proposed 2010 final dividend	13	–	–	–	(30,000)	30,000	–
At 31 December 2010		836,671	–	–	2,718	30,000	869,389
At 1 January 2011		836,671	–	–	2,718	30,000	869,389
Profit for the year		–	–	–	35,576	–	35,576
Other comprehensive income for the year							
Change in fair value of an available-for-sale investment		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	35,576	–	35,576
2010 final dividend declared		–	–	–	–	(30,317)	(30,317)
Issue of convertible bonds	31	–	324,366	–	–	–	324,366
Convertible bonds issue expenses	31	–	(2,370)	–	–	–	(2,370)
Transfer from retained profits to proposed 2010 final dividend		–	–	–	(317)	317	–
Proposed 2011 final dividend	13	–	–	–	(37,000)	37,000	–
At 31 December 2011		836,671	321,996	–	977	37,000	1,196,644

The difference between the proposed and declared 2010 final dividend of RMB317,000 (2010: RMB502,000) represented the exchange difference arising from the depreciation of the Renminbi against the Singapore dollar which was realised upon payment and was debited to the retained profits as at 31 December 2011.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		224,845	175,981
Adjustments for:			
Amortisation of prepaid land lease payments	7	2,166	1,722
Amortisation of coal mining right	7	138	–
Depreciation of property, plant and equipment	7	172,100	165,905
Loss on disposal of items of property, plant and equipment	7	2,182	6,387
Amortisation of deferred grants	6	(495)	(495)
Dividend income from an available-for-sale investment	6	(720)	–
Impairment loss of an available-for-sale investment	7	16,073	–
Interest income	6	(1,596)	(456)
Finance costs	8	78,930	53,447
		493,623	402,491
Increase in inventories		(237,755)	(132,011)
Decrease in trade and bills receivables		7,633	8,989
Increase in prepayments		(39,782)	(15,065)
Decrease/(increase) in deposits and other receivables		(2,923)	29,410
Decrease in amounts due to related companies		(560)	(794)
Increase/(decrease) in trade and bills payables		43,191	(11,129)
Increase/(decrease) in accruals and other payables		24,207	(12,185)
Cash flows generated from operations		287,634	269,706
Government grants returned	29	–	(4,540)
Interest paid	36	(85,767)	(53,447)
Interest received		1,596	456
Tax paid		(23,483)	(27,834)
Net cash flows from operating activities		179,980	184,341

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		2,808	4,036
Purchases of items of property, plant and equipment		(479,025)	(373,744)
Purchases of land use rights	16	(1,603)	(20,806)
Purchase of an available-for-sale investment	19	–	(21,778)
Dividend received from an available-for-sale investment	6	720	–
Acquisition of a subsidiary	35	(39,064)	–
Decrease in pledged time deposits		8,780	2,393
Net cash flows used in investing activities		(507,384)	(409,899)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		(30,317)	(29,724)
Proceeds from issue of convertible bonds	31	324,366	–
Proceeds from loans and borrowings		1,040,000	1,013,259
Repayments of loans and borrowings		(655,320)	(735,000)
Net cash flows from financing activities		678,729	248,535
NET INCREASE IN CASH AND CASH EQUIVALENTS		351,325	22,977
Cash and cash equivalents at beginning of year		162,773	139,796
Cash and cash equivalents at end of year		514,098	162,773
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at banks and on hand	24	470,466	162,773
Non-pledged time deposits with original maturity of less than three months when acquired	24	43,632	–
Cash and cash equivalents as stated in the consolidated statement of financial position		514,098	162,773

Statement of Financial Position

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	20	1,080,000	800,000
Available-for-sale investment	19	–	21,778
Total non-current assets		1,080,000	821,778
CURRENT ASSETS			
Available-for-sale investment	19	5,705	–
Due from a subsidiary	20	84,061	53,851
Prepayments and other receivables	23	317	546
Cash and cash equivalents	24	45,015	836
Total current assets		135,098	55,233
Total assets		1,215,098	877,011
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Accruals		18,454	7,622
Net current assets		116,644	47,611
Net assets		1,196,644	869,389
Equity attributable to owners of the parent			
Issued capital	33	836,671	836,671
Convertible bonds	31	321,996	–
Retained profits	34	977	2,718
Proposed final dividend	13	37,000	30,000
Total equity		1,196,644	869,389
Total equity and liabilities		1,215,098	877,011

1. Corporate 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 are dual primary listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721. 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 consists of investment holding. The principal activities of the Company's subsidiaries are disclosed in note 20 to the financial statements.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("**SFRSs**") (which include all Singapore Financial Reporting Standards and Singapore Financial Reporting Interpretations ("**INT SFRS**")) issued by the Singapore Accounting Standards Council.

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.

2.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

- Amendments to SFRS 24 *Related Party Disclosures*
- Amendments to SFRS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
- Amendments to SFRS 101 *Limited Exemption from Comparative SFRS 107 Disclosures for First-Time Adopters*
- Amendments to INT SFRS 114 Prepayments of a Minimum Funding Requirement
- INT SFRS 115 *Agreements for the Construction of Real Estate*
- INT SFRS 119 *Extinguishing Financial Liabilities with Equity Instruments*
- Improvements to SFRSs issued in 2010:
  - Amendments to SFRS 103 *Business Combinations*
  - Amendments to SFRS 1 *Presentation of Financial Statements*
  - Amendments to transition requirements for amendments arising as a result of SFRS 27 *Consolidated and Separate Financial Statements*
  - Amendments to INT SFRS 113 *Customer Loyalty Programmes*
  - Amendments to SFRS 101 *First-time Adoption of Financial Reporting Standards*
  - Amendments to SFRS 107 *Financial Instruments: Disclosures*
  - Amendments to SFRS 34 *Interim Financial Reporting*

The adoption of these standards and interpretations did not have material effect on the results and financial position of the financial statements, or their presentation.

Notes to Financial Statements
31 December 2011

2.3 Standards Issued but not yet Effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to SFRS 101 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to SFRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to SFRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised SFRS 19 *Employee Benefits*	1 January 2013
Revised SFRS 27 *Separate Financial Statements*	1 January 2013
Revised SFRS 28 *Investments in Associates and Joint Ventures*	1 January 2013
SFRS 110 *Consolidated Financial Statements*	1 January 2013
SFRS 111 *Joint Arrangements*	1 January 2013
SFRS 112 *Disclosure of Interests in Other Entities*	1 January 2013
SFRS 113 *Fair Value Measurements*	1 January 2013

Except for the Amendments to SFRS 1, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to SFRS 1 is described below.

Amendments to SFRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to SFRS 1 Presentation of Items of Other Comprehensive Income ("OCI") is effective for financial periods beginning on or after 1 July 2012.

The Amendments to SFRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

3. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the parent company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Consolidation of the subsidiaries in the PRC is based on the subsidiaries' financial statements prepared in accordance with SFRSs. Profits reflected in the financial statements prepared in accordance with SFRSs may differ from those reflected in the PRC statutory financial statements of the subsidiaries, prepared for PRC financial reporting purposes. In accordance with the relevant laws and regulations, profits available for distribution by the PRC subsidiaries are based on the amounts stated in the PRC statutory financial statements.

3. Summary of Significant Accounting Policies (continued)

Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For items that are traded in active markets, the fair value is determined with reference to quoted market prices. For items with no active market, the fair value is determined using appropriate valuation techniques, such as discounted cash flow analysis. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in "*Goodwill*" below. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Functional currency

The Group's principal operations are conducted in the PRC. Management has determined the currency of the primary economic environment in which each entity in the Group operates, i.e., functional currency, to be RMB. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions

Transactions in foreign currencies are measured and recorded in the respective functional currencies of the Company and its subsidiaries at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Notes to Financial Statements

31 December 2011

3. Summary of Significant Accounting Policies (continued)

Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

For consolidation purpose, the assets and liabilities of foreign operations are translated into RMB at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

The results of the subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

  (i) has control or joint control over the Company;

  (ii) has significant influence over the Company; or

  (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company;

3. Summary of Significant Accounting Policies (continued)

Related parties (continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price which includes the cost of replacing part of the property, plant and equipment and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Notes to Financial Statements
31 December 2011

3. Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and residual values used for this purpose are as follows:

	Years	Residual value
Buildings	15 – 25	3 to 10%
Other fixtures and structures	15 – 25	3 to 10%
Plant and machinery	8 – 15	3 to 10%
Office equipment and furniture	5	3 to 10%
Motor vehicles	5	3 to 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, it is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Coal mining right

Coal mining right is stated at cost less accumulated amortisation and any impairment losses. The mining right is amortised on the straight-line basis over its estimated useful life of 27 years. The useful life of the coal mining right is reviewed annually in accordance with the production plans of the Group and the proven and probable reserves of the mine. The coal mining right is written off to profit or loss if the coal mining property is abandoned.

Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments are amortised on the straight-line basis over the lease terms of 50 years.

The amortisation period and method are reviewed at each financial year end. The amortisation expense is recognised in profit or loss.

3. Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken in account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Notes to Financial Statements

31 December 2011

3. Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in "*Foreign currency transactions*" above.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in RMB at the rates prevailing at the date of acquisition.

Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date (i.e., the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

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3. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a financial asset carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3. Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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3. Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designed any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Convertible bonds

Convertible bonds issued by the Company are recognised and included in shareholders' equity based on the terms of the contract. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the convertible bonds is not remeasured in subsequent years.

3. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise unpledged bank deposits, cash and bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including short-term deposits, which are not restricted as to use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

Raw materials – purchase cost on a weighted average basis.

Finished goods and work-in-progress – cost of direct materials and a proportion of manufacturing overheads based on the normal operating capacity (excluding borrowing costs). These costs are assigned on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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31 December 2011

3. Summary of Significant Accounting Policies (continued)

Government grants

Government grants are received from the local PRC government on a discretionary basis as determined by the government. A government grant is recognised at its fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss as an item under "Other income" over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Trade and other receivables

Trade and other receivables are classified and accounted for as loans and receivables under SFRS 39.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for their intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Employee benefits – pension benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs as stipulated by the PRC regulations to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

The Company makes contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Pension contributions are recognised as an expense as they become payable in accordance with the rules of the relevant schemes.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from lessor are charged to profit or loss on the straight-line basis over the lease terms.

3. Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customers, which generally coincides with delivery and acceptance of the goods sold.

b) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

c) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements

31 December 2011

3. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are recognised for all temporary differences, except:

– Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;

– In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

– In respect of deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences, carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Value-added-tax ("VAT")

The Group's sales of goods in the PRC are generally subject to VAT at the applicable tax rates of 13% (for urea and compound fertiliser segments) and 17% (for methanol segment) for PRC domestic sales. However, as part of the government subsidies for the fertiliser industry, full VAT exemption is given to urea and compound fertiliser sales.

Revenues, expenses and assets are recognised net of the amount of VAT except:

– Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. Summary of Significant Accounting Policies (continued)

Segment reporting

For management purposes, the Group is organised into operating segments based on its products and the segment results are reported to the management of the Company who regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in note 5, including the factors used to identify the reportable segments and the measurement basis of segment information.

Share capital and share issue expenses

Proceeds from the issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

 (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

 (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the consolidated statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Notes to Financial Statements

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4. Significant Accounting Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

The Group has exposure to income taxes in Singapore and the PRC. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax recoverable, payable and deferred tax liabilities at 31 December 2011 were RMB7,263,000, RMB864,000 and RMB56,219,000, respectively (2010: income tax recoverable and deferred tax liabilities were RMB15,895,000 and RMB35,071,000, respectively).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was HK$6,950,000 (2010: Nil). Further details are given in note 17.

Useful lives of plant and machinery

The cost of plant and machinery for the production of fertilisers is depreciated on the straight-line basis over the estimated useful life of the assets. Management estimates the useful life of the production lines to be 8 to 15 years. Changes in the expected level of usage and technological development could impact the economic useful lives of the plant and machinery and therefore depreciation charges could be changed in line with revisions to expected economic useful lives. The carrying amount of the Group's plant and machinery at 31 December 2011 was RMB1,607,262,000 (2010: RMB1,613,726,000).

4. Significant Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

Impairment of an available-for-sale investment

The Group classifies an investment as available-for-sale and recognises movements of its fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. At 31 December 2011, impairment loss of RMB16,073,000 has been recognised for an available-for-sale investment (2010: Nil). The carrying amount of the available-for-sale investment was RMB5,705,000 (2010: RMB21,778,000).

Impairment of coal mining right

The carrying value of the coal mining right is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy for the impairment of non-financial assets in this section. The recoverable amount of the coal mining right, or, where appropriate, the cash-generating unit to which it belongs, is calculated as the higher of its fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order calculate the present value of those cash flows. At 31 December 2011, no impairment loss has been recognised for the coal mining right. The carrying amount of the coal mining right at 31 December 2011 was RMB41,763,000 (2010: Nil).

Coal mine reserve

Engineering estimates of the Group's coal mine reserve are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before an estimated coal mine reserve can be designated as "proved" and "probable". Proved and probable coal mine reserve estimates are updated on regular intervals taking into recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of the proved and probable coal mine reserve also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining amortisation expenses and impairment loss. The capitalised cost of the coal mining right is amortised over the estimated useful life of the related coal mine reserve. The useful life is reviewed annually in accordance with the production of the plants of the Group and the proven and probable reserves of the coal mine. The carrying amount of the coal mining right at 31 December 2011 was RMB41,763,000 (2010: Nil).

Notes to Financial Statements

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5. Operating Segment Information

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

(i) Urea

Urea is a neutral nitrogen-based fertiliser which is suitable for various crops and land. It does not leave any residue in the soil, and provides nitrogen to crops and serves as a raw material for agricultural fertilisers, plastic, resin, coating materials and pharmaceutical industries.

(ii) Compound fertiliser

Compound fertiliser is a type of round, hard, granulated fertiliser and has various distinctive characteristics such as high concentration, high absorption rate by crops, and enhancement of resistance of crops to diseases, insects, droughts and lodges. The use of compound fertiliser generally improves the quality of crops and the productivity of the land. It can be used as ground fertiliser or added fertiliser and is suitable for the growing of wheat, paddy, corn, peanuts, tobacco, fruit trees, vegetables and cotton.

(iii) Methanol

Methanol is a colourless, tasteless, highly volatile, and flammable toxic liquid alcohol. It is an important organic chemical raw material which is mainly used to produce formaldehyde, which is a vital raw material for producing various kinds of resin. Methanol is also a good fuel and has been used as an energy resource in some power stations. Methanol is also widely used in the industrial production of synthetic fibre, plastic, pharmaceutical, pesticides, dye and synthetic protein.

In addition to the three main operating segments, the Group is involved in the production of liquid ammonia and ammonia solution. In addition, as detailed in note 35 to the financial statements, in November 2011, the Group acquired a subsidiary that is engaged in coal mining and the sale of coal. However, in the opinion of the directors, the acquisition of the new subsidiary in the current year was completed close to year end and there were only limited operations in the new subsidiary after the acquisition by the Group and the assets and liabilities were not material for the purpose of segment reporting. Accordingly, a separate operating segment for the coal mining business carried out by the new subsidiary has not been presented.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

5. Operating Segment Information (continued)

Allocation basis

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise other income and gains, other expenses, selling and distribution expenses, general and administrative expenses, financial costs and income tax expense.

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. Except for the assets and liabilities of the newly acquired subsidiary which were not material for the purpose of segment reporting, assets of the Group are utilised interchangeably between different segments and there is no reasonable basis to allocate liabilities of the Group between different segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by operating segments.

Geographical segments

There is no geographical segment information as the Group mainly operates in Mainland China only.

Information about a major customer

During the years ended 31 December 2011 and 2010, sales to the Group's major customer amounted to RMB203,684,000 (or 5.5% of the total sales) and RMB238,610,000 (or 8.4% of the total sales), respectively.

Segment profit definition

The directors of the Company are of the opinion that the segment profit/(loss) is the operating profit/(loss).

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5. Operating Segment Information (continued)

Segment profit definition (continued)

Group

Year ended 31 December 2011	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
REVENUE						
Sales to external customers	2,409,012	849,236	422,480	7,505	–	3,688,233
Intersegment sales	283,255	–	–	12,832	(296,087)	–
Total revenue	2,692,267	849,236	422,480	20,337	(296,087)	3,688,233
Segment profit/(loss)	406,492	127,089	(27,114)	(94)	–	506,373
Interest income						1,596
Unallocated other income and gains						22,390
Unallocated expenses						(226,584)
Financial costs						(78,930)
Profit before tax						224,845
Income tax expense						(44,337)
Net profit attributable to owners of the parent						180,508
Other segment information:						
Impairment of an available-for-sale investment						16,073
Loss on disposal of items of property, plant and equipment						2,182
Depreciation of property, plant and equipment						172,100
Amortisation of prepaid land lease payments						2,166
Amortisation of coal mining right						138

5. Operating Segment Information (continued)

Segment profit definition (continued)

Group

Year ended 31 December 2010	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
REVENUE						
Sales to external customers	1,863,208	594,214	385,298	8,683	–	2,851,403
Intersegment sales	167,385	–	–	7,074	(174,459)	–
Total revenue	2,030,593	594,214	385,298	15,757	(174,459)	2,851,403
Segment profit/(loss)	306,361	67,585	(10,094)	209	–	364,061
Interest income						456
Unallocated other income and gains						16,208
Unallocated expenses						(151,297)
Financial costs						(53,447)
Profit before tax						175,981
Income tax expense						(31,410)
Net profit attributable to owners of the parent						144,571
Other segment information:						
Loss on disposal of items of property, plant and equipment						6,387
Depreciation of property, plant and equipment						165,905
Amortisation of prepaid land lease payments						1,722

Notes to Financial Statements
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6. 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:

	2011 RMB'000	2010 RMB'000
Revenue		
Sale of goods	3,688,233	2,851,403
Other income and gains		
Bank interest income	1,596	456
Dividend income from an available-for-sale investment	720	–
Net profit from sales of by-products	5,356	5,269
Service fee income from related parties	60	112
Amortisation of deferred grants (note 29)	495	495
Subsidy income	6,667	8,020
Penalty income	7,798	–
Others	1,294	2,312
	23,986	16,664

7. Profit before Tax

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold #		3,181,860	2,487,342
Depreciation of property, plant and equipment	15	172,100	165,905
Amortisation of prepaid land lease payments	16	2,166	1,722
Amortisation of coal mining right	18	138	–
Minimum lease payments under operating leases:			
Land		1,410	356
Buildings		480	948
		1,890	1,304
Auditors' remuneration		1,480	1,443
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and bonuses		139,889	93,510
Contributions to defined contribution plans		21,377	14,176
Welfare expenses		7,262	4,997
		168,528	112,683
Impairment of an available-for-sale investment *		16,073	–
Unrealised exchange loss *		1,095	443
Loss on disposal of items of property, plant and equipment *		2,182	6,387

* Included in "Other expenses" disclosed in the consolidated statement of comprehensive income.

Included wages and salaries of RMB25,624,000 (2010: RMB19,223,000) disclosed under employee benefit expenses and depreciation charges of RMB155,785,000 (2010: RMB155,722,000) disclosed under depreciation.

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8. Finance Costs

The Group's finance costs are analysed as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	79,848	53,187
Interest on bank loans, overdrafts and other loans, wholly repayable after five years	5,687	–
Interest on government loans	232	260
	85,767	53,447
Less: Interest capitalised (note 36)	(6,837)	–
	78,930	53,447

9. Directors' Remuneration

Details of directors' remuneration are as follows:

	2011 RMB'000	2010 RMB'000
Fees	800	800
Other emoluments:		
Salaries, allowances and benefits in kind	4,550	2,286
Pension scheme contributions	66	54
	4,616	2,340
	5,416	3,140

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011 RMB'000	2010 RMB'000
Ong Kian Guan	300	300
Li Shengxiao	250	250
Ong Wei Jin	250	250
	800	800

There were no other emoluments payable to the independent non-executive directors during the year ended 31 December 2011 (2010: Nil).

9. Directors' Remuneration (continued)

(b) Executive directors and a non-executive director

Year ended 31 December 2011	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Liu Xingxu	–	877	911	22	1,810
Yan Yunhua	–	698	683	22	1,403
Li Buwen	–	698	683	22	1,403
	–	2,273	2,277	66	4,616
Non-executive director:					
Lian Jie	–	–	–	–	–
	–	2,273	2,277	66	4,616

Year ended 31 December 2010	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
Liu Xingxu	–	882	–	18	900
Yan Yunhua	–	702	–	18	720
Li Buwen	–	702	–	18	720
	–	2,286	–	54	2,340

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2011 (2010: Nil).

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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10. Five Highest Paid Employees

The five highest paid employees in the Group for the year included three (2010: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	1,280	1,188
Performance-related bonuses	145	102
Pension scheme contributions	45	210
	1,470	1,500

The number of non-director, highest paid employees whose remuneration fell within the following bands are as follows:

	2011	2010
Nil to RMB500,000	–	–
RMB500,001 to RMB1,000,000	2	2
	2	2

During the year, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. Income Tax

The Company is incorporated in Singapore and is subject to income tax at the rate of 17% (2010: 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 income tax at the rate of 25% (2010: 25%). Based on the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises", one of the subsidiaries is entitled to full exemption from income tax for the first two profitable years and a 50% reduction in income tax for the following three years. This subsidiary had elected the financial year ended 31 December 2007 as the first profitable year for the purpose of determining the tax holiday period. Accordingly, this subsidiary was exempted from income tax during the years ended 31 December 2007 and 2008, and had a 50% tax exemption for the three years ended 31 December 2009, 2010 and 2011 (i.e., 12.5%).

11. Income Tax (continued)

The major components of income tax expense for the financial years ended 31 December 2011 and 2010 are:

Group

	2011 RMB'000	2010 RMB'000
Current – PRC		
Charge for the year	32,621	23,043
Underprovision in respect of prior years	358	128
Deferred (note 32)	11,358	8,239
Total tax charge for the year	44,337	31,410

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax charge for the year at the effective tax rate is as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	224,845	175,981
Tax at statutory tax rates	59,455	44,953
Expenses not deductible for tax	5,978	1,584
Effect of withholding tax at 5% on the distributable profits of the PRC subsidiary	11,388	8,239
Effect of a tax holiday	(32,655)	(23,494)
Adjustments in respect of current tax of previous periods	358	128
Others	(187)	–
Tax charge for the year at the effective tax rate	44,337	31,410

12. Net Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a profit of RMB35,576,000 (2010: RMB103,026,000) which has been dealt with in the financial statements of the Company.

13. Dividend

	2011 RMB'000	2010 RMB'000
Proposed final dividend – RMB3.70 cents (2010: RMB3.00 cents) per ordinary share	37,000	30,000

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

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14. 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 1,005,304,000 (2010: 1,000,000,000) in issue during the year, as adjusted to reflect the convertible bonds issued during the year.

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

	2011 RMB'000	2010 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	180,508	144,571

	2011 Number of shares	2010 Number of shares
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued during the year) for the purpose of calculating basic and diluted earnings per share	1,005,304,000	1,000,000,000

15. Property, Plant and Equipment

Group

31 December 2011

	Buildings RMB'000	Other fixtures and structures RMB'000	Plant and machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 31 December 2010 and 1 January 2011	231,858	260,712	2,051,270	76,804	15,456	297,163	2,933,263
Additions	9,602	5,477	22,451	4,166	5,153	216,671	263,520
Acquisition of a subsidiary (note 35)	2,474	23,050	14,153	228	1,288	–	41,193
Transfers	34,124	98,158	104,068	(5,371)	165	(231,144)	–
Disposals	(182)	(640)	(9,758)	(139)	(312)	–	(11,031)
At 31 December 2011	277,876	386,757	2,182,184	75,688	21,750	282,690	3,226,945
Accumulated depreciation:							
At 31 December 2010 and 1 January 2011	19,139	28,119	437,544	28,195	5,721	–	518,718
Depreciation charged for the year	9,989	12,392	142,919	3,616	3,184	–	172,100
Disposals	(29)	(122)	(5,541)	(100)	(249)	–	(6,041)
At 31 December 2011	29,099	40,389	574,922	31,711	8,656	–	684,777
Net carrying amount:							
At 31 December 2011	248,777	346,368	1,607,262	43,977	13,094	282,690	2,542,168

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15. Property, Plant and Equipment (continued)

Group

31 December 2010

	Buildings RMB'000	Other fixtures and structures RMB'000	Plant and machinery RMB'000	Office equipment and furniture RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2010	210,316	237,553	1,936,179	55,248	11,054	224,225	2,674,575
Additions	–	252	9,677	6,180	4,630	268,121	288,860
Transfers	21,711	23,862	133,420	16,190	–	(195,183)	–
Disposals	(169)	(955)	(28,006)	(814)	(228)	–	(30,172)
At 31 December 2010	231,858	260,712	2,051,270	76,804	15,456	297,163	2,933,263
Accumulated depreciation:							
At 1 January 2010	9,938	18,613	322,825	17,772	3,414	–	372,562
Depreciation charged for the year	9,224	10,307	132,812	11,189	2,373	–	165,905
Disposals	(23)	(801)	(18,093)	(766)	(66)	–	(19,749)
At 31 December 2010	19,139	28,119	437,544	28,195	5,721	–	518,718
Net carrying amount:							
At 31 December 2010	212,719	232,593	1,613,726	48,609	9,735	297,163	2,414,545

The Group's buildings with aggregate net carrying amount of RMB248,777,000 (2010: RMB212,719,000) are situated in Mainland China.

16. Prepaid Land Lease Payments

Group

	Notes	2011 RMB'000	2010 RMB'000
Carrying amount at 1 January		91,845	72,761
Additions		1,603	20,806
Amortisation during the year	7	(2,166)	(1,722)
Carrying amount at 31 December		91,282	91,845
Current portion included in prepayments	23	(2,117)	(1,985)
Non-current portion		89,165	89,860

The Group's leasehold land is held under medium-term leases and situated in Mainland China where the Group's manufacturing and storage facilities reside. The leasehold land has a remaining tenure from 42 to 47 years (2010: from 43 to 48 years).

17. Goodwill

Group

	RMB'000
Cost at 1 January 2010, 31 December 2010 and 1 January 2011	–
Acquisition of a subsidiary (note 35)	6,950
Cost and net carrying amount at 31 December 2011	6,950
At 31 December 2011:	
Cost	6,950
Accumulated impairment	–
Net carrying amount	6,950

Impairment testing of goodwill

Goodwill acquired through a business combination amounting to RMB6,950,000 has been allocated to the coal mining cash-generating unit for impairment testing.

The recoverable amount of the coal mining cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a 27-year period. The cash flow projections are discounted using the discount rate of 9%.

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17. Goodwill (continued)

Key assumptions used in value-in-use calculation

The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of goodwill:

(i) Budgeted gross margin

The basis used to determine the value assigned to the future gross margin is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

(ii) Raw materials price inflation

The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year.

(iii) Commodity price inflation

The basis used to determine the value assigned to commodity price inflation is the expectation of future changes in the market.

(iv) Discount rate

The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. Coal Mining Right

Group

	RMB'000
Cost:	
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Acquisition of a subsidiary (note 35)	41,901
At 31 December 2011	41,901
Accumulated amortisation:	
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Amortisation provided for the year	138
At 31 December 2011	138
Net carrying amount	
At 31 December 2011	41,763

19. Available-for-Sale Investment

	Group and Company	
	2011	2010
	RMB'000	RMB'000
NON-CURRENT		
Listed equity investment, at fair value:		
Singapore	–	21,778
CURRENT		
Listed equity investment, at fair value:		
Singapore	5,705	–

The above investment in equity securities is designated as an available-for-sale financial asset and has no fixed maturity or coupon rate.

During the year, the gross loss in respect of the available-for-sale investment recognised in other comprehensive income amounted to RMB16,073,000. There was a significant decline in the market value of the listed equity investment during the year. The directors consider that such a decline indicates that the listed equity investment has been impaired and an impairment loss of RMB16,073,000 (2010: Nil), which included a reclassification from other comprehensive income of RMB16,073,000 (2010: Nil), has been recognised in profit or loss for the year.

The available-for-sale investment was transferred from non-current assets to current assets at the end of the reporting period because it is the intention of the directors of the Company to dispose of the investment in the forthcoming year. The market value of the listed equity investment at the date of approval of these financial statements was approximately RMB7,645,000.

Notes to Financial Statements

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20. Investments in Subsidiaries

	Company 2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	1,080,000	800,000

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of registration and operations	Nominal value of registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Henan Xinlianxin Fertiliser Co., Ltd.* #	PRC/ Mainland China	RMB1,080,000,000 (2010: RMB800,000,000)	100% (2010: 100%)	–	Manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution
Henan Shoulashou Fertiliser Co., Ltd.#	PRC/ Mainland China	RMB1,000,000	–	100% (2010: Nil)	Dormant
Xinjiang Xinlianxin Energy Chemical Co., Ltd.#	PRC/ Mainland China	RMB130,000,000	–	100% (2010: Nil)	Investment holding
瑪納斯天利煤業有限責任公司 ("Tianli")#	PRC/ Mainland China	RMB45,000,000	–	100% (2010: Nil)	Coal mining and sales of coal

* The subsidiary is registered as a wholly-foreign-owned enterprise under PRC law.

\# The statutory audited financial statements of the subsidiaries for the year ended 31 December 2011 were not audited by Ernst & Young LLP, Singapore or another member firm of the Ernst & Young global network.

During the year, the Group acquired 瑪納斯天利煤業有限責任公司 from an independent third party. Further details of this acquisition are included in note 35 to the financial statements and the Company's announcement dated 23 November 2011.

21. Inventories

	Group 2011 RMB'000	Group 2010 RMB'000
Statement of financial position:		
Raw materials	363,830	216,373
Parts and spares	13,941	13,129
Work-in-progress	6,077	6,758
Finished goods	209,266	117,662
	593,114	353,922
Profit or loss:		
Inventories recognised as an expense in cost of sales	3,000,451	2,312,397

22. Trade and Bills Receivables

	Group 2011 RMB'000	Group 2010 RMB'000
Trade receivables	28,725	13,567
Bills receivable	2,050	18,720

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.

Notes to Financial Statements

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22. Trade and Bills Receivables (continued)

An aged 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:

	2011 RMB'000	2010 RMB'000
Within 1 month	20,256	13,131
1 to 3 months	1,842	276
3 to 6 months	6,625	160
6 to 12 months	2	–
	28,725	13,567

The movement in provision for impairment of trade receivables was as follows:

	2011 RMB'000	2010 RMB'000
At beginning of year	–	322
Amount written off as uncollectible	–	(322)
At end of year	–	–

The individually impaired trade receivables related to customers that were in financial difficulties or in default in repayments and were not expected to be recovered.

The aged analysis of the Group's trade receivables that are not considered to be impaired is as follows:

	2011 RMB'000	2010 RMB'000
Neither past due nor impaired	22,098	13,407
Less than 3 months past due	–	160
More than 3 months past due	6,627	–
	28,725	13,567

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. Prepayments, Deposits and other Receivables

	Note	Group 2011 RMB'000	Group 2010 RMB'000
NON-CURRENT			
Prepayments			
Prepayments for purchases of items of plant and equipment		216,822	4,098
CURRENT			
Prepayments			
Advanced deposits to suppliers		113,591	71,535
Current portion of prepaid land lease payments	16	2,117	1,985
Other prepayments		825	437
		116,533	73,957
Deposits and other receivables			
VAT receivable		2,588	1,877
Others		10,751	5,584
		13,339	7,461
Total prepayments, deposits and other receivables		129,872	81,418

	Company 2011 RMB'000	Company 2010 RMB'000
Prepayments and other receivables		
Prepayments	317	437
Other receivables	–	109
	317	546

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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24. Cash and Cash Equivalents and Pledged Deposits

	Group		Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Time deposits	53,632	18,780	43,632	–
Less: Pledged time deposits for bills payable (note 27)	(10,000)	(18,780)	–	–
	43,632	–	43,632	–
Cash at banks and on hand	470,466	162,773	1,383	836
Cash and cash equivalents	514,098	162,773	45,015	836

At 31 December 2011, the cash and bank balances of the Group denominated in RMB amounted to RMB497,273,000 (2010: RMB180,717,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. Due to Related Companies

The amounts due to related companies are unsecured, interest-free and repayable on demand, except for the amount due to Henan Xinlianxin Chemicals Group Co., Ltd. ("**Henan Chemicals**") which bears interest at 5.13% (2010: 5.4%) per annum.

Related companies comprise Henan Chemicals and its subsidiaries. The Company and Henan Chemicals have common shareholders and the Company's executive directors and executive officers have certain equity interests in Henan Chemicals.

26. Trade Payables

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

	Group	
	2011	2010
	RMB'000	RMB'000
Within 1 month	37,048	3,223
1 to 3 months	77,608	34,696
3 to 6 months	3,288	688
6 to 12 months	2,596	239
Over 12 months	303	1,306
	120,843	40,152

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

27. Bills Payable

The Group's bills payable had an average maturity period of 90 to 180 days and were interest-free. Bills payable were denominated in RMB and were secured by time deposits of RMB10,000,000 (2010: RMB18,780,000) (note 24).

28. Accruals and other Payables

	Group	
	2011	2010
	RMB'000	RMB'000
Accruals		
Accrued expenses	45,238	18,489
Accruals for construction costs and purchases of items of property, plant and equipment	47,398	57,016
	92,636	75,505
Other payables		
Advanced purchase deposits from customers	145,411	181,257
VAT and other operating tax payables	4,483	660
Tender deposits	33,077	4,168
Staff deposits	–	210
Payable to the former owner of a newly acquired subsidiary	39,488	–
Others	21,278	3,249
	243,737	189,544
	336,373	265,049

Other payables are non-interest-bearing and have an average term of six months.

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29. Deferred Grants

	Group 2011 RMB'000	Group 2010 RMB'000
Cost:		
At beginning of the year	6,000	10,540
Returned during the year	–	(4,540)
At end of year	6,000	6,000
Accumulated amortisation:		
At beginning of the year	2,040	1,545
Amortisation during the year	495	495
At end of year	2,535	2,040
Net carrying amount:		
Current	3,465	3,960

As at 31 December 2011 and 2010, deferred grants related to government grants given to the Group for the installation and building of machinery to implement energy-saving production methods and to reduce production cost and are amortised over the useful life of the related property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants. During the year ended 31 December 2010, a government grant of RMB4,540,000 was returned to the government as the project related to the grant was not executed eventually.

30. Interest-Bearing Bank and other Borrowings

Group

	2011 Contractual interest rate	2011 Maturity	2011 RMB'000	2010 Contractual interest rate	2010 Maturity	2010 RMB'000
CURRENT						
Bank loans						
– secured (note (a))	6.45%	2012	90,000	5.4%	2011	30,000
– unsecured	5.4% to 7.1%	2012	451,000	4.86% to 5.4%	2011	170,000
			541,000			200,000
NON-CURRENT						
Bank loans						
– secured (note (a))	–	–	–	5.4%	2012	90,000
– unsecured	5.04% to 7.32%	2013 to 2016	1,058,000	5.4% to 5.85%	2012 to 2013	923,000
Loan from the government						
– unsecured (note (b))	Floating rate at 0.3% above market prime lending rate	2013	9,091	Floating rate at 0.3% above market prime lending rate	2013	10,411
			1,067,091			1,023,411
			1,608,091			1,223,411

30. Interest-Bearing Bank and other Borrowings (continued)

	Group 2011 RMB'000	2010 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	541,000	200,000
In the second year	628,000	625,000
In the third to fifth years, inclusive	200,000	388,000
Beyond five years	230,000	–
	1,599,000	1,213,000
Other borrowings repayable:		
In the second year	9,091	–
In the third to fifth years, inclusive	–	10,411
	9,091	10,411
	1,608,091	1,223,411

Notes:

(a) Certain bank loans of the Group were guaranteed by independent third parties.

(b) The loan from the government bears interest at a floating rate of 0.3% above the market prime lending rate and is not due to be repaid within the next 12 months.

31. Convertible Bonds

On 21 December 2011, the Company issued RMB denominated convertible bonds with a nominal value of RMB324,366,000. There was no movement in the number of convertible bonds during the year. The direct transaction costs attributable to the convertible bonds amounted to RMB2,370,000. The bonds are convertible at the option of the bondholder into ordinary shares of the Company at the initial conversion price of approximately RMB1.84 per share anytime after the issuance of the convertible bonds. While the convertible bonds bear interest at 4.5% per annum, the Company may, at its sole discretion, elect to defer the interest pursuant to the terms of the convertible bonds.

Unless previously redeemed, purchased and cancelled or converted, all the convertible bonds outstanding shall be converted into ordinary shares of the Company on the fifth anniversary of the date of issue. The convertible bonds are redeemable at the option of the holder of convertible bonds only upon the occurrence of a winding-up (any step 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 companies (including but not limited to a members' voluntary solvent winding-up), or any group companies cease or threaten to cease to carry on all or substantially all of its business or operations) at a redemption price which shall be equivalent to the aggregate of the outstanding principal amount of the convertible bonds together with a redemption premium of 8.0% per annum on such outstanding principal amount, up to the date fixed for redemption.

In the opinion of the directors, the Company is able to defer or control the redemption of the principal, the payment of bond interests and other cash payments to the bondholder. Accordingly, the convertible bonds are classified as equity instruments.

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32. Deferred Tax Liabilities

Group

	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2010	–	26,832	26,832
Deferred tax charged to profit or loss during the year (note 11)	–	8,239	8,239
At 31 December 2010 and at 1 January 2011	–	35,071	35,071
Acquisition of a subsidiary (note 35)	9,790	–	9,790
Deferred tax charged/(credited) to profit or loss during the year (note 11)	(30)	11,388	11,358
At 31 December 2011	9,760	46,459	56,219

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2009 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax liabilities arising from fair value adjustments arising from acquisition of a subsidiary represented the deferred tax liabilities on fair value uplift of the coal mining right owned by the subsidiary, 瑪納斯天利煤業有限責任公司("**Tianli**"), arising from acquisition. Details of the acquisition of Tianli are set out in note 35 to the financial statements.

33. Share Capital

Shares

	Number of ordinary shares		Amount	
	2011	2010	2011	2010
			RMB'000	RMB'000
Issued and fully paid	1,000,000,000	1,000,000,000	836,671*	836,671*

* Equivalent to Singapore dollars ("SGD")165,677,000.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

34. Reserves

The amounts of the Group's and Company's reserves and the movements therein for the years ended 31 December 2011 and 2010 are presented in the statements of changes in equity.

In accordance with the Wholly Foreign Owned Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriations to the Statutory Reserve Fund (the "**SRF**"). At least 10% of the after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiaries.

35. Business Combination

On 22 November 2011, the Group acquired a 100% interest in Tianli from an independent third party. Tianli is engaged in coal mining and the sale of coal. The acquisition was made as part of the Group's strategy to obtain the necessary upstream experience in managing coal mines. The purchase consideration for the acquisition was in the form of cash, with RMB40,000,000 paid at the acquisition date. The fair values of the identifiable assets and liabilities of Tianli as at the date of acquisition were determined by 新疆宏昌礦業權評估咨詢有限責任公司 and 河南豫財資產評估有限公司, independent professionally qualified valuers.

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35. Business Combination (continued)

The fair values of the identifiable assets and liabilities of Tianli as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	15	41,193
Coal mining right	18	41,901
Cash and bank balances		936
Trade and bills receivables		6,121
Prepayments		2,662
Other receivables		2,955
Inventories		1,437
Accruals and other payables		(54,365)
Deferred tax liabilities	32	(9,790)
Total identifiable net assets at fair value		33,050
Goodwill on acquisition	17	6,950
Satisfied by cash		40,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(40,000)
Cash and bank balances acquired	936
Net outflow of cash and cash equivalents included in cash flows from investing activities	39,064

Since the acquisition, Tianli contributed a loss of RMB1,060,000 to the Group's consolidated profit for the year ended 31 December 2011. Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit for the year would have been RMB3,719,433,000 and RMB190,214,000, respectively.

36. Note to the Consolidated Statement of Cash Flows

Major non-cash transaction – interest capitalisation

During the year, the Group capitalised interest expenses of RMB6,837,000 (2010: Nil) to property, plant and equipment (note 8).

37. Contingent Liabilities

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

38. Operating Lease Arrangements

At the end of the reporting period, the Group had outstanding operating lease agreements for buildings in Mainland China. Certain of these leases have options for renewal. Future minimum rentals payable under non-cancellable operating leases at the end of the reporting period are as follows:

	2011 RMB'000	2010 RMB'000
Within one year	1,082	1,831
In the second to fifth years, inclusive	3,488	6,504
After five years	27,416	47,316
	31,986	55,651

The Company had no operating lease arrangements as at 31 December 2011 and 2010.

39. Commitments

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital and other commitments at the end of the reporting period:

	2011 RMB'000	2010 RMB'000
Capital commitments		
Contracted, but not provided for:		
Buildings	179,785	–
Plant and machinery	128,593	27,900
	308,378	27,900
Authorised, but not contracted for:		
Plant and machinery	2,000,622	16,324
	2,309,000	44,224
Other commitments		
Purchases of raw materials	5,954	–

The Company had no material commitments as at 31 December 2011 and 2010.

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40. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2011 RMB'000	2010 RMB'000
Sales of electricity, water and steam to: *	(i)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		1,004	1,005
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		9,032	4,092
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		12	6
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		298	242
– Xinxiang Yuyuan Chemical Co., Ltd. #		676	612
– Xinxiang Xinlianxin Hotel Co., Ltd. #		159	121
Service fee income for provision of calibration and testing services to:	(ii)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		24	44
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		12	9
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		–	1
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		5	11
– Xinxiang Yuyuan Chemical Co., Ltd. #		18	46
– Xinxiang Xinlianxin Hotel Co., Ltd. #		1	1
Purchases of raw materials and consumables from:	(iii)		
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		265	287
Purchases of items of property, plant and equipment from:	(iv)		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		2,447	4,436
Service fee expenses for provision of lifting services from:	(v)		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		2,507	1,810
Operating lease expenses to:	(vi)		
– Henan Chemicals		480	480

* Amount represents gross sales of by-products and profit generated from such sales amounted to RMB1,601,000 (2010: RMB871,000) included in net profit from sales of by-products (note 6).

40. Related Party Transactions (continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	Notes	2011 RMB'000	2010 RMB'000
Management fee income from:	(vii)		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		–	1
– Xinxiang Yuyuan Chemical Co., Ltd. #		–	1
Service fee expenses to:	(viii)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		1	–
– Xinxiang Xinlianxin Hotel Co., Ltd. #		3,232	2,023
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #		591	–
Interest expense to:	(ix)		
– Henan Chemicals		439	929

These companies are subsidiaries of Henan Chemicals, which has common shareholders with the Company. The Company's executive directors and executive officers have certain equity interests in Henan Chemicals.

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40. Related Party Transactions (continued)

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

Notes:

(i) The sale of electricity was made according to the unit cost of electricity announced by the Henan Province Development and Reform Committee (河南省發展和改革委員會). The sales of water and steam were made according to a mark-up of 10% above cost.

(ii) The service fee income was received according to mutually agreed terms with reference to the actual costs incurred.

(iii) The purchases of raw materials and consumables were charged based on the published prices and conditions offered to third parties by the related parties.

(iv) The purchases of items of property, plant and equipment were charged based on the published prices and conditions offered to third parties by the related party.

(v) The service fee expenses for the provision of lifting services were charged based on mutually agreed terms with reference to the actual costs incurred.

(vi) The operating lease expenses for the year were charged at a fixed monthly amount of RMB40,000 (2010: RMB40,000).

(vii) The management fee income was received according to mutually agreed terms with reference to the actual costs incurred for the year ended 31 December 2010.

(viii) The service fee expenses were charged based on mutually agreed terms with reference to the actual costs incurred.

(ix) The interest expense was charged based on a fixed interest rate of 5.13% (2010: 5.4%) per annum on the balance due to the related company.

The related party transactions above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

40. Related Party Transactions (continued)

(b) Compensation of directors and key management personnel of the Group:

	2011 RMB'000	2010 RMB'000
Directors' fee	800	800
Salaries and bonuses	6,544	4,187
Contributions to defined contribution plans	151	128
	7,495	5,115
Comprise amounts paid to:		
– Directors of the Company	5,416	3,140
– Other key management personnel	2,079	1,975
	7,495	5,115

Further details of the directors' remuneration are included in note 9 to these financial statements.

41. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group

Financial assets

		Loans and receivables	
	Notes	2011 RMB'000	2010 RMB'000
Trade receivables	22	28,725	13,567
Bills receivable	22	2,050	18,720
Deposits and other receivables	23	13,339	7,461
Pledged deposits	24	10,000	18,780
Cash and cash equivalents	24	514,098	162,773
		568,212	221,301

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41. Financial Instruments by Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group

Financial assets

	Note	Available-for-sale financial assets 2011 RMB'000	2010 RMB'000
Available-for-sale investment	19	5,705	21,778

Financial liabilities

	Notes	Financial liabilities at amortised cost 2011 RMB'000	2010 RMB'000
Due to related companies	25	163	723
Trade payables	26	120,843	40,152
Bills payable	27	–	37,500
Accruals and other payables	28	336,373	189,544
Interest-bearing bank and other borrowings	30	1,608,091	1,223,411
		2,065,470	1,491,330

Company

Financial assets

	Notes	Loans and receivables 2011 RMB'000	2010 RMB'000
Due from a subsidiary		84,061	53,851
Other receivables	23	–	109
Cash and cash equivalents	24	45,015	836
		129,076	54,796

41. Financial Instruments By Category (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Company

Financial asset

	Note	Available-for-sale financial assets 2011 RMB'000	2010 RMB'000
Available-for-sale investment	19	5,705	21,778

Financial liability

	Financial liabilities at amortised cost 2011 RMB'000	2010 RMB'000
Accruals	18,454	–

42. Fair Value and Fair Value Hierarchy

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Financial assets				
Trade receivables	28,725	13,567	28,725	13,567
Bills receivable	2,050	18,720	2,050	18,720
Deposits and other receivables	13,339	7,461	13,339	7,461
Pledged deposits	10,000	18,780	10,000	18,780
Cash and cash equivalents	514,098	162,773	514,098	162,773
Available-for-sale investment	5,705	21,778	5,705	21,778
	573,917	243,079	573,917	243,079

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42. Fair Value and Fair Value Hierarchy (continued)

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows: (continued)

Group

	Carrying amounts		Fair values	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Due to related companies	163	723	163	723
Trade payables	120,843	40,152	120,843	40,152
Bills payable	–	37,500	–	37,500
Accruals and other payables	336,373	189,544	336,373	189,544
Interest-bearing bank and other borrowings	1,608,091	1,223,411	1,608,091	1,223,411
	2,065,470	1,491,330	2,065,470	1,491,330

Company

	Carrying amounts		Fair values	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Due from a subsidiary	84,061	53,851	84,061	53,851
Other receivables	–	109	–	109
Cash and cash equivalents	45,015	836	45,015	836
Available-for-sale investment	5,705	21,778	5,705	21,778
	134,781	76,574	134,781	76,574
Financial liability				
Accruals	18,454	–	18,454	–

The Company had no financial liabilities as at 31 December 2011 and 2010.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, deposits and other receivables, accruals and other payables, and amounts due to related companies approximate to their carrying amounts largely due to the short term maturities of these instruments.

42. Fair Value and Fair Value Hierarchy (continued)

The fair value of the interest-bearing bank and other borrowings has been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair value of the listed equity investment is determined by direct reference to its bid price quotation in an active market at the end of the reporting period.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group and Company
As at 31 December 2011

	Level 1 RMB'000
Available-for-sale investment	5,705

As at 31 December 2010

	Level 1 RMB'000
Available-for-sale investment	21,778

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

Liabilities measured at fair value:

The Group and the Company had no financial liabilities measured at fair value as at 31 December 2011 and 2010.

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43. Financial Risk Management Objectives and Policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the chief financial officer and finance manager.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets such as cash and cash equivalents, bills receivable and deposits and other receivables, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that the majority of customers who wish to trade are required to pay cash on delivery or in advance before collecting any goods. A minority of customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

The Group assesses concentration of credit risk by monitoring on an on-going basis the aged analysis of its trade receivables by each product category. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	2011 RMB'000	% of total	2010 RMB'000	% of total
Urea	–	–	1,201	9
Compound fertiliser	27,660	96	12,366	91
Others	1,065	4	–	–
Total	28,725	100	13,567	100

At 31 December 2011, none of the Group's trade receivables (2010: approximately 53%) were due from its top 10 customers located in Mainland China.

43. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations.

	1 year or less RMB'000	1 to 3 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Group					
31 December 2011					
Due to related companies	163	–	–	–	163
Trade payables	120,540	303	–	–	120,843
Accruals and other payables	336,373	–	–	–	336,373
Interest-bearing bank and other borrowings	563,206	873,753	67,190	334,926	1,839,075
31 December 2010					
Due to related companies	723	–	–	–	723
Trade payables	40,152	–	–	–	40,152
Bills payable	37,500	–	–	–	37,500
Accruals and other payables	189,544	–	–	–	189,544
Interest-bearing bank and other borrowings	201,732	1,110,191	21,174	–	1,333,097
Company					
31 December 2011					
Accruals	18,454	–	–	–	18,454

The Company had no financial liabilities as at 31 December 2010.

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43. Financial Risk Management Objectives and Policies (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its loans and borrowings.

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

For variable rate financial assets and liabilities, the Group has determined the carrying amounts of cash and short-term deposits based on their notional amounts, which reasonably approximate to their fair values because these are mostly short-term in nature or are repriced frequently. For interest-bearing loans and borrowings, a change in interest rate at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Increase in basis points	2011 RMB'000	2010 RMB'000
Interest expense			
RMB	10	(1,206)	(1,000)
Interest income			
RMB	10	435	158
SGD	10	1	–
United States dollars ("USD")	50	112	1

43. Financial Risk Management Objectives and Policies (continued)

(d) Foreign currency risk

The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in SGD, USD and Hong Kong dollars ("**HKD**")) are as follows:

	2011 RMB'000	2010 RMB'000
SGD	962	194
USD	25,539	303
HKD	324	339
	26,825	836

The following table demonstrates the sensitivity to a reasonably possible change in the SGD, USD and HKD exchange rates (against RMB), with all other variables held constant, on the Group's profit, net of tax and equity.

	2011 RMB'000	2010 RMB'000
SGD – strengthened 5% (2010: 5%)	48	10
– weakened 5% (2010: 5%)	(48)	(10)
USD – strengthened 2% (2010: 2%)	511	6
– weakened 2% (2010: 2%)	(511)	(6)
HKD – strengthened 1% (2010: 1%)	3	3
– weakened 1% (2010: 1%)	(3)	(3)

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44. Capital Management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' 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 adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

As disclosed in note 34, subsidiaries of the Group are required by the Wholly Foreign Owned Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the years ended 31 December 2011 and 2010.

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

	2011 RMB'000	2010 RMB'000
Due to related companies	163	723
Trade payables	120,843	40,152
Bills payable	–	37,500
Accruals and other payables	336,373	265,049
Interest-bearing bank and other borrowings	1,608,091	1,223,411
Less: Cash and cash equivalents	(514,098)	(162,773)
Less: Pledged deposits	(10,000)	(18,780)
Net debt	1,541,372	1,385,282
Shareholders' equity	2,061,677	1,589,490
Less: Statutory reserve fund	(133,655)	(110,678)
Total capital	1,928,022	1,478,812
Capital and net debt	3,469,394	2,864,094
Gearing ratio	44.4%	48.4%

Net debt includes interest-bearing bank and other borrowings, trade and bills payables, amounts due to related companies, accruals and other payables, less cash and cash equivalents, and pledged deposits. Capital includes equity attributable to owners of the parent less the above-mentioned restricted statutory reserve fund.

45. Reconciliation Between SFRSs and International Financial Reporting Standards ("IFRSs")

For the years ended 31 December 2011 and 2010, there were no material differences between the consolidated statements of comprehensive income of the Group prepared under SFRSs and IFRSs.

The differences between the consolidated statements of financial position and the consolidated statements of changes in equity of the Group as at 31 December 2011 and 2010 prepared under SFRSs and IFRSs are as follows:

	Note	Issued capital RMB'000	Convertible bonds RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Total equity RMB'000
As at 31 December 2011						
Total equity under SFRSs		836,671	321,996	133,655	769,355	2,061,677
Share issue expenses	(i)	44,453	–	–	(44,453)	–
Total equity under IFRSs		881,124	321,996	133,655	724,902	2,061,677
As at 31 December 2010						
Total equity under SFRSs		836,671	–	110,678	642,141	1,589,490
Share issue expenses	(i)	44,453	–	–	(44,453)	–
Total equity under IFRSs		881,124	–	110,678	597,688	1,589,490

Note:

(i) 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.

46. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 22 March 2012.

Five-Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	3,688,233	2,851,403	2,329,607	2,084,943	1,541,422
Cost of sales	(3,181,860)	(2,487,342)	(2,014,212)	(1,603,073)	(1,125,001)
Gross profit	506,373	364,061	315,395	481,870	416,421
Other income and gains	23,986	16,664	11,661	13,664	31,761
Selling and distribution costs	(70,500)	(38,686)	(16,902)	(20,722)	(20,166)
General and administrative expenses	(136,059)	(104,150)	(110,536)	(91,290)	(76,635)
Other expenses	(20,025)	(8,461)	(11,587)	(6,963)	(64,343)
Finance costs	(78,930)	(53,447)	(36,522)	(26,791)	(18,062)
PROFIT BEFORE TAX	224,845	175,981	151,509	349,768	268,976
Income tax expense	(44,337)	(31,410)	(32,285)	(18,094)	(1,417)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	180,508	144,571	119,224	331,674	267,559
ASSETS AND LIABILITIES					
TOTAL ASSETS	4,187,695	3,195,356	2,910,557	2,481,904	1,832,474
TOTAL LIABILITIES	(2,126,018)	(1,605,866)	(1,435,914)	(1,030,998)	(661,581)
	2,061,677	1,589,490	1,474,643	1,450,906	1,170,893

Statistics of Shareholdings

Analysis of shareholdings as at 1 March 2012

Number of Shares	–	1,000,000,000
Class of shares	–	Ordinary shares
Voting rights	–	One vote per share

Distribution of Shareholdings as at 1 March 2012

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	7	0.15	1,843	0.00
1,000 – 10,000	2,676	57.25	17,508,876	1.75
10,001 – 1,000,000	1,975	42.26	89,775,391	8.98
1,000,001 and above	16	0.34	892,713,890	89.27
Total	4,674	100.00	1,000,000,000	100.00

List of 20 Largest Shareholders as at 1 March 2012

No.	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	716,487,000	71.65
2	BIG DAY LIMITED	49,900,000	4.99
3	AMFRASER SECURITIES PTE. LTD.	24,170,000	2.42
4	DBS NOMINEES PTE LTD	23,431,094	2.34
5	DBSN SERVICES PTE LTD	19,833,486	1.98
6	CIMB SEC (S'PORE) PTE LTD	18,677,000	1.87
7	HSBC (SINGAPORE) NOMS PTE LTD	15,720,866	1.57
8	CITIBANK NOMS S'PORE PTE LTD	5,261,073	0.53
9	DBS VICKERS SECS (S) PTE LTD	3,678,000	0.37
10	PHILLIP SECURITIES PTE LTD	3,442,000	0.34
11	UOB KAY HIAN PTE LTD	3,124,000	0.31
12	MAYBANK KIM ENG SECS PTE LTD	2,393,371	0.24
13	UNITED OVERSEAS BANK NOMINEES	2,224,000	0.22
14	OCBC SECURITIES PRIVATE LTD	1,550,000	0.16
15	OCBC NOMINEES SINGAPORE	1,451,000	0.15
16	RAFFLES NOMINEES (PTE) LTD	1,371,000	0.14
17	CHIN KIM YON OR KANG LAY HOON	1,000,000	0.10
18	YAP KAR KOI	1,000,000	0.10
19	MAYBAN NOMINEES (S) PTE LTD	885,000	0.09
20	LEE HOCK SEONG	822,000	0.08
	Total	896,420,890	89.65

Statistics of Shareholdings

Substantial Shareholders as shown in the register of substantial shareholders as at 1 March 2012

Name	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Pioneer Top Holdings Limited ("**Pioneer Top**")	343,376,000*	34.34	–	–
Go Power Investments Limited ("**Go Power**")	297,734,000**	29.77	–	–
Mr. Liu Xingxu	600,000	0.06	343,376,000*	34.34
Ms. Yan Yunhua	300,000	0.03	297,734,000**	29.77

* Pioneer Top is a company incorporated in British Virgin Islands. The Chairman and CEO, Mr. Liu Xingxu holds 42% interest in Pioneer Top, with the remaining 58% held on trust by Mr. Liu Xingxu for the beneficiaries under a trust arrangement dated 26 July 2006. The beneficiaries under the trust arrangement are Mr. Li Buwen, with 16% equity interest, Mr. Li Yushun, Mr. Ru Zhengtao, Mr. Wang Nairen, Mr. Zhang Qingjin, Mr. Zhu Xingye and Mr. Shang Dewei, with 7% equity interest respectively. Pursuant to the trust agreement, Mr. Liu Xingxu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company. The shareholdings of Pioneer Top are held through the nominee, HKSCC Nominees Limited.

** Go Power is a company incorporated in British Virgin Islands. The CFO and Executive Director, Madam Yan Yunhua holds 12.74% interest in Go Power, with the remaining 87.26% held in trust by Madam Yan Yunhua for the beneficiaries under a trust arrangement dated 26 July 2006 and a trust confirmation dated 16 June 2009. The beneficiaries under the trust arrangement and the trust confirmation comprise a total of 1,463 current and past employees and certain past and present customers/suppliers of the Group. Pursuant to the trust agreement and the trust confirmation, Madam Yan Yunhua has the absolute discretion to exercise the voting rights held by Go Power in the Company. The shareholdings of Go Power are held through the nominee, HKSCC Nominees Limited.

Percentage of Shareholdings In Public Hands

As at 1 March 2012, approximately 35.79% of the Company's shares are held in the hands of the public among which approximately 28.25% are held in the hands of the public in Singapore. Accordingly, the Company has complied with the Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited and Rule 8.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Information for Investors

Annual Results Announcement

27 February 2012

Annual General Meeting

27 April 2012

Record Date for Final Dividend

10 May 2012

Book Closure Date

11 May 2012

Dividend Payout Date

25 May 2012

Principal Share Registrar in Singapore

KCK Corpserve Pte. Ltd.
333 North Bridge Road
#08-00 KH KEA Building
Singapore 188721

Branch Share Registrar in Hong Kong

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Stock Codes

Hong Kong Stock Exchange: 01866
Singapore Stock Exchange: B9R.SI
Bloomberg: CXLX:SP; 1866:HK
Reuters: CXLX.SI; 1866.HK

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中國心連心化肥有限公司*
(Incorporated in Singapore with limited liability)

Singapore Stock Code: B9R.SI
Hong Kong Stock Code: 01866

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