



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

Interim Report 2012

A Forward Thinking

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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 UNDER HONG KONG LISTING RULES

YAN Yunhua
SOON Yuk Tai
(appointed with effect from 1 September 2012)

AUTHORISED REPRESENTATIVES UNDER SINGAPORE LISTING MANUAL

YAN Yunhua
TEO Meng Keong
(both appointed with effect from 1 September 2012)

JOINT COMPANY SECRETARIES

SOON Yuk Tai
TEO Meng Keong
(both appointed with effect from 1 September 2012)

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

80 Robinson Road
#02-00
Singapore 068898
(with effect from 1 September 2012)

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN PRC

Xinxiang High Technology Development Zone
Henan Province
PRC 453731

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

20th Floor, Alexandra House
18 Chater Road
Hong Kong

LISTING INFORMATION

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

CORPORATE WEBSITE

<http://www.chinaxlx.com.hk>

The board of directors (the “Board”) of China XLX Fertiliser Ltd. (the “Company” and, together with its subsidiaries, the “Group”) is pleased to present this interim report for the six months ended 30 June 2012.

Management Discussion and Analysis

(I) BUSINESS REVIEW

Revenue

Revenue for the half year ended 30 June 2012 (“1H2012”) increased significantly by about RMB241 million or 13% from approximately RMB1,790 million in the half year ended 30 June 2011 (“1H2011”) to approximately RMB2,031 million in 1H2012. The increase was mainly due to the increase in urea and compound fertiliser average selling prices and increase in methanol sales volume. Urea and compound fertiliser average selling prices increased by 13% and 12% respectively. Due to better methanol margins, we increased our production and sales volume of methanol by more than 40% to achieve optimal operating efficiency in the production of urea, our key product.

Urea

Revenue derived from the sales of urea increased by approximately RMB104 million or approximately 9% from approximately RMB1,162 million for 1H2011 to RMB1,266 million for 1H2012 mainly due to the increase in average selling price by approximately 13%.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB77 million or approximately 44% from approximately RMB176 million for 1H2011 to RMB252 million for 1H2012 mainly due to the increase in sales quantity by approximately 43%.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB57 million or approximately 13% from approximately RMB449 million for 1H2011 to RMB506 million for 1H2012. Such increase was primarily resulted from the increase in average selling prices by approximately 12% in 1H2012 due to increase in raw material prices.

Profitability

Overall gross profit margin increased from approximately 12% in 1H2011 to 18% in 1H2012 due to the increase in gross profit margins of urea and methanol.

Gross profit margin of urea increased from 14% in 1H2011 to 24% in 1H2012 due to higher urea average selling prices and lower coal prices.

Gross profit margin of methanol improved from negative 10% in 1H2011 to negative 2% in 1H2012. This is due to lower coal prices which resulted in methanol average cost of sales being 7% lower than 1H2011.

Gross profit margin of compound fertiliser increased from 15% in 1H2011 to 16% in 1H2012. This was mainly due to increase in average selling prices by 12% while cost of sales increased by 11%.

Management Discussion and Analysis (continued)

(I) BUSINESS REVIEW (CONTINUED)

Other income and expenses

Other income and expenses increased by approximately RMB10 million from other expenses of RMB5 million to other income of RMB5 million mainly due to impairment loss on an available-for-sale investment of approximately RMB8 million which was recognised in 1H2011 as compared to no impairment loss on available-for-sale investments in 1H2012.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB8 million or 19% from approximately RMB40 million in 1H2011 to RMB32 million in 1H2012. This was mainly due to decrease in export sales from 40,000 tons in 1H2011 to about 3,000 tons in 1H2012 due to change in compound fertiliser export tariff. Included in selling and distribution expenses in such export sales were transportation/freight costs amounting to approximately RMB5 million and export tariff amounting to approximately RMB4 million. The Group had considered such costs in our selling price to customers.

General and administrative expenses

General and administrative expenses increased by approximately RMB29 million or 46% from approximately RMB63 million in 1H2011 to RMB92 million in 1H2012. The increase was mainly due to RMB14 million increase in staff costs caused by the pay rise in January 2012 and increase in the number of employees to be trained for the 4th plant. Office, training, environmental and consultancy expenses increased by approximately RMB9 million due to the Group's expansion. Depreciation and amortisation also increased by approximately RMB3 million due to increase in office building and equipment and the acquisition of Tianli coal mine in November 2011. Lastly, there was approximately RMB3 million increase in property/land stamp duties/taxes in 1H2012 due to the Group's expansion.

Finance costs

Finance costs increased by RMB7 million or 18% from approximately RMB36 million in 1H2011 to RMB43 million in 1H2012. The increase was due to higher interest rates and more interest-bearing loans and borrowings as compared against 1H2011.

Income tax expense

Income tax expense increased by approximately RMB24 million or 181% from approximately RMB13 million in 1H2011 to RMB37 million in 1H2012. The increase was due to profits and corporate tax rate increased from 12.5% to 15.0% at one of our China subsidiaries, Henan XLX as its corporate tax reduction based on the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises" expired in FY2011. Henan XLX corporate tax rate now is 15% as it was awarded the New/High Tech Enterprise Award.

Management Discussion and Analysis (continued)

(I) BUSINESS REVIEW (CONTINUED)

Net profit attributable to owners of the Company

The net profit attributable to owners of the Company increased by approximately RMB126 million or 254% from RMB49 million in 1H2011 to RMB175 million in 1H2012. This was mainly due to the increase in gross profit of RMB168 million in 1H2012 mainly led by the increase in urea average selling prices in 1H2012 of approximately 13%. The increase in net profit attributable to owners of the Company was partially offset by the increase in general and administrative expenses, finance costs and income tax expense of approximately RMB29 million, RMB7 million and RMB24 million, respectively.

Quarterly performance review

Net profits increased by RMB94 million in 2Q2012 when compared to 2Q2011. This was mainly due to the increase in gross profit of RMB110 million in 2Q2012 mainly led by the increase in urea average selling prices in 2Q2012 of approximately 17%. The increase in net profit attributable to owners of the Company was partially offset by the increase in general and administrative expenses, finance costs and income tax expense of approximately RMB14 million, RMB3 million and RMB14 million, respectively.

(II) FINANCIAL REVIEW

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%.

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Due to related companies	–	163
Trade and bills payables	69,162	120,843
Accruals and other payables	282,078	336,373
Interest-bearing bank and other borrowings	1,857,682	1,608,091
Less: Cash and cash equivalents	(669,705)	(514,098)
Less: Pledged deposits	(5,000)	(10,000)
Net debt	1,534,217	1,541,372
Equity attributable to owners of the Company	2,202,166	2,061,677
Less: Statutory reserve fund	(133,655)	(133,655)
Total capital	2,068,511	1,928,022
Capital and net debt	3,602,728	3,469,394
Gearing ratio	42.6%	44.4%

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 Company less the restricted statutory reserve fund.

Management Discussion and Analysis (continued)

(II) FINANCIAL REVIEW (CONTINUED)

Loans

Amount payable in one year or less, or on demand

	As at 30/6/2012		As at 31/12/2011	
	Secured RMB'000 (Unaudited)	Unsecured RMB'000 (Unaudited)	Secured RMB'000 (Audited)	Unsecured RMB'000 (Audited)
Bank loans	–	630,000	90,000	451,000

Amount payable after one year

	As at 30/6/2012		As at 31/12/2011	
	Secured RMB'000 (Unaudited)	Unsecured RMB'000 (Unaudited)	Secured RMB'000 (Audited)	Unsecured RMB'000 (Audited)
Bank loans	–	1,219,500	–	1,058,000
Loan from the government	–	8,182	–	9,091
	–	1,227,682	–	1,067,091

Details of guarantee

As at 30 June 2012, the Group had no secured loans (31 December 2011: RMB90 million short-term loans guaranteed by Xinxiang Xinya Paper Group Ltd., an independent third party of the Group).

(III) PROSPECTS

From industry perspective, the urea industry will remain stable amid industry consolidation and favourable government policies. Going forward, we expect certain volatility in urea and coal average prices in 2H2012 due to global and domestic macroeconomic conditions, food prices and urea export levels and others. Barring any unforeseen circumstances, the Group expects the overall performance for FY2012 to be better than FY2011.

Management Discussion and Analysis (continued)

(IV) DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests of the directors of the Company (the "Directors") in shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to The Stock Exchange of Hong Kong Limited ("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 "HK Listing Rules"), were as follows:

Long positions:

Name of Directors	Number of issued ordinary shares interested			Percentage [#] of the Company's issued share capital
	Personal interests	Corporate interests	Total interests	
Mr. Liu Xingxu	600,000	343,376,000 (Note (a))	343,976,000	34.40%
Ms. Yan Yunhua	300,000	297,734,000 (Note (b))	298,034,000	29.80%
Mr. Ong Kian Guan	100,000	–	100,000	0.01%

Notes:

(a) These shares were held by Pioneer Top Holdings Limited ("Pioneer Top"). Mr. Liu Xingxu beneficially owned approximately 42% of equity interest in Pioneer Top and held approximately 58% of equity interest in Pioneer Top in trust for seven beneficiaries (including Mr. Li Buwen) under a trust agreement. 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) These shares were held by Go Power Investments Limited ("Go Power"). Ms. Yan Yunhua beneficially owned approximately 12.74% of equity interest in Go Power and held approximately 87.26% of the equity interest in Go Power in trust for a total of 1,463 beneficiaries under a trust agreement. Pursuant to the trust agreement, Ms. Yan Yunhua is irrevocably granted the absolute discretion to exercise the voting rights and the rights to the day-to-day management in Go Power.

The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2012.

Save as disclosed above, as at 30 June 2012, none of the Directors, chief executive of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of 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 SEHK pursuant to the Model Code.

Management Discussion and Analysis (continued)

(V) SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the following parties had interests of 5% or more in the issued shares and underlying shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of substantial shareholder	Capacity	Number of issued ordinary shares interested	Number of underlying shares upon conversion of the convertible bonds	Percentage of the shares/ underlying shares over the Company's issued share capital
Pioneer Top (Note (a))	Beneficial owner	343,376,000	–	34.34% ^(*)
Go Power (Note (b))	Beneficial owner	297,734,000	–	29.77% ^(*)
Nitro Capital Limited ("Nitro") (Note (c))	Beneficial owner	–	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 owned approximately 42% of the equity interest in Pioneer Top, and held 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. Such interest held by Pioneer Top has also been disclosed as the interest of Mr. Liu Xingxu in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (b) Go Power is an investment holding company established in the BVI. Ms. Yan Yunhua beneficially owned approximately 12.74% of the equity interest in Go Power and held 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 had the absolute discretion to exercise the voting rights held by Go Power in the Company in accordance with the trust agreement. Such interest held by Go Power has also been disclosed as the interest of Ms. Yan Yunhua in the above section headed "Directors' and chief executive's interests and short positions in shares and underlying shares".
- (c) Nitro is a wholly-owned subsidiary of Primavera Capital (Cayman) Fund I L.P.
- * The percentage represents the number of issued ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2012.
- ** The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2012, as enlarged by the number of shares supposed to be issued after full conversion of the convertible bonds.

Save as disclosed above, as at 30 June 2012, no person, other than the Directors whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Management Discussion and Analysis (continued)

(VI) SUPPLEMENTARY INFORMATION

1. *Reconciliation between SFRSs and International Financial Reporting Standards (“IFRSs”)*

For the six months ended 30 June 2012, 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-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 3.2% in the six months ended 30 June 2012 as compared to an increase of 5.4% in the same period in 2011. 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 considers 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 30 June 2012, approximately RMB630 million (31 December 2011: RMB541 million), or 33.9% (31 December 2011: 33.6%) 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.

Management Discussion and Analysis (continued)

(VI) SUPPLEMENTARY INFORMATION (CONTINUED)

2. *Operational and Financial Risks (continued)*

(vii) **Gearing Risk**

The Group monitors its 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 raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital in 2011 and 2012. The gearing ratio of the Group as at 30 June 2012 (calculated as net debt divided by total capital plus net debt) was 42.6%, representing a decrease of 1.8% as compared to 31 December 2011. As at 30 June 2012, except for the pledged deposit of RMB5,000,000 (31 December 2011: RMB10,000,000), the Group had no pledge of assets.

3. *Contingent Liabilities*

As at 30 June 2012, the Group has no material contingent liabilities (2011: Nil).

4. *Material Litigation and Arbitration*

As at 30 June 2012, the Group was not involved in any material litigation or arbitration.

5. *Audit Committee*

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

6. *Compliance with the Code on Corporate Governance Practices*

The Board is of the view that the Company has met the code provisions set out in Appendix 14 of the HK Listing Rules for the six months ended 30 June 2012, except for the following deviations:

Code provision A.2.1

This code provision stipulates that the roles of chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. Liu Xingxu has been the Executive Chairman and Chief Executive Officer 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. Mr. Liu 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 Chief Executive Officer are reviewed by the Board. His performance and appointment to the Board is being reviewed by the Company's Nomination Committee and his remuneration package is being reviewed by the Company's Remuneration Committee. The Audit Committee, Nomination Committee and Remuneration Committee comprise all or 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.

Management Discussion and Analysis (continued)

(VI) SUPPLEMENTARY INFORMATION (CONTINUED)

6. *Compliance with the Code on Corporate Governance Practices (continued)*

Code provision A.4.1

This code provision stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Although Mr. Lian Jie, the non-executive director of the Company, has not been appointed for a specific term, he is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association. Accordingly, the Board considers that the Company meets the objective of the said code provision A.4.1.

Code provision D.1.4

This code provision stipulates that listed issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. As Mr. Lian Jie does not receive any remuneration for his appointment as a non-executive director of the Company and there is no specific term for his appointment, the Company has not issued any appointment letter to him. Nevertheless, the Company will consider issuing a formal letter of appointment to Mr. Lian setting out the key terms and conditions of his appointment.

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

The Board has adopted the Model Code as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2012, all Directors have complied with the required standards of the Model Code.

8. *Purchase, Sale or Redemption of the Company's Securities*

For the six months ended 30 June 2012, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the securities of the Company.

9. *Employees and Remuneration Policy*

As at 30 June 2012, there were 4,043 (2011: 3,477) 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 and share options to eligible staff based on their performance and contributions to the Group.

10. *Disclosure on the Websites*

This interim report shall be published on the websites of SEHK (<http://www.hkex.com.hk>) and Singapore Exchange Securities Trading Limited (<http://www.sgx.com>) and on the website of the Company (<http://www.chinaxlx.com.hk>) in due course.

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
REVENUE	4	2,030,943	1,790,353
Cost of sales		(1,656,502)	(1,583,482)
Gross profit		374,441	206,871
Other income/(expenses), net	4	4,750	(4,733)
Selling and distribution expenses		(32,668)	(40,382)
General and administrative expenses		(91,705)	(62,819)
Finance costs	5	(42,975)	(36,415)
PROFIT BEFORE TAX	6	211,843	62,522
Income tax expense	7	(36,503)	(12,991)
PROFIT FOR THE PERIOD		175,340	49,531
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Change in fair value		2,149	(7,861)
Reclassification adjustment for impairment loss included in profit or loss		–	7,861
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		2,149	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		177,489	49,531
Profit attributable to:			
Owners of the Company		175,340	49,531
Non-controlling interest		–	–
		175,340	49,531
Total comprehensive income for the period attributable to:			
Owners of the Company		177,489	49,531
Non-controlling interest		–	–
		177,489	49,531
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (<i>RMB cents per share</i>)	9	14.9 cents	5.0 cents

Details of the dividend paid for the period are disclosed in note 8 to the financial statements.

Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,664,035	2,542,168
Prepaid land lease payments	10	88,240	89,165
Goodwill		6,950	6,950
Coal mining right	10	42,115	41,763
Available-for-sale investment	12	7,500	–
Prepayments	11	396,571	216,822
Total non-current assets		3,205,411	2,896,868
CURRENT ASSETS			
Available-for-sale investment	12	7,854	5,705
Inventories	13	422,565	593,114
Trade and bills receivables	14	35,751	30,775
Prepayments	11	119,832	116,533
Deposits and other receivables		19,845	13,339
Income tax recoverable		–	7,263
Pledged deposits	15	5,000	10,000
Cash and cash equivalents	15	669,705	514,098
Total current assets		1,280,552	1,290,827
CURRENT LIABILITIES			
Trade payables	16	64,162	120,843
Bills payable		5,000	–
Accruals and other payables		282,078	336,373
Due to related companies		–	163
Income tax payable		3,595	864
Deferred grants		3,218	3,465
Interest-bearing bank and other borrowings	17	630,000	541,000
Total current liabilities		988,053	1,002,708
NET CURRENT ASSETS		292,499	288,119
TOTAL ASSETS LESS CURRENT LIABILITIES		3,497,910	3,184,987

Condensed Consolidated Statement of Financial Position (continued)

30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	1,227,682	1,067,091
Deferred tax liabilities		54,452	56,219
Deferred grant		6,260	–
Total non-current liabilities		1,288,394	1,123,310
NET ASSETS		2,209,516	2,061,677
EQUITY			
Equity attributable to owners of the Company			
Issued capital		836,671	836,671
Statutory reserve fund		133,655	133,655
Convertible bonds		329,674	321,996
Available-for-sale investment revaluation reserve		2,149	–
Retained profits		900,017	732,355
Proposed final dividend		–	37,000
		2,202,166	2,061,677
Non-controlling interest		7,350	–
Total equity		2,209,516	2,061,677

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2012

Group

	Issued capital RMB'000	Convertible bonds RMB'000	Available- for-sale investment revaluation reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Non- controlling interest RMB'000	Total equity RMB'000
(Unaudited)								
As at 1 January 2012	836,671	321,996	-	133,655	732,355	37,000	-	2,061,677
Profit the period	-	-	-	-	175,340	-	-	175,340
Other comprehensive income for the period:								
Change in fair value of an available-for-sale investment	-	-	2,149	-	-	-	-	2,149
Total comprehensive income for the period	-	-	2,149	-	175,340	-	-	177,489
Capital contribution by a non-controlling interest	-	-	-	-	-	-	7,350	7,350
2011 final dividend declared	-	-	-	-	-	(37,000)	-	(37,000)
Interests on convertible bonds	-	7,678	-	-	(7,678)	-	-	-
As at 30 June 2012	836,671	329,674	2,149	133,655	900,017	-	7,350	2,209,516

	Issued capital RMB'000	Available- for-sale investment revaluation reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total equity RMB'000
(Unaudited)						
As at 1 January 2011	836,671	-	110,678	612,141	30,000	1,589,490
Profit for the period	-	-	-	49,531	-	49,531
Other comprehensive income for the period:						
Change in fair value of an available-for-sale investment	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	49,531	-	49,531
2010 final dividend declared	-	-	-	-	(30,317)	(30,317)
Transfer from retained profits to proposed 2010 final dividend	-	-	-	(317)	317	-
Transfer to statutory reserve fund	-	-	6,591	(6,591)	-	-
As at 30 June 2011	836,671	-	117,269	654,764	-	1,608,704

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Cash flows from operating activities			
Profit before tax		211,843	62,522
Adjustment for:			
Amortisation of prepaid land lease payments	6	1,008	993
Amortisation of coal mining right	6	769	–
Depreciation of property, plant and equipment	6	88,916	84,187
Loss on disposal of items of property, plant and equipment	4, 6	3,345	1,159
Impairment loss on an available-for-sale investment	6	–	7,861
Amortisation of deferred grants	4	(247)	(247)
Dividend income from an available-for-sale investment	4	–	(720)
Interest income	4	(2,113)	(379)
Finance costs	5	42,975	36,415
		346,496	191,791
Decrease in inventories		170,549	106,369
Increase in trade and bills receivables		(4,976)	(46,785)
Increase in prepayments		(3,299)	(67,400)
Increase in deposits and other receivables		(6,506)	(20,349)
Decrease in trade and bills payables		(51,681)	(15,523)
Increase/(decrease) in accruals and other payables		(50,795)	4,289
Decrease in amounts due to related companies		(163)	(96)
Cash generated from operations		399,625	152,296
Interest received		2,113	379
Interest paid		(42,975)	(36,415)
Income taxes paid		(28,289)	(10,102)
Government grant received		6,260	–
Net cash generated from operating activities		336,734	106,158

Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Cash flows from investing activities		
Purchases of items of property, plant and equipment, land use rights and coal mining right	(398,717)	(167,192)
Investment in an available-for-sale investment	(7,500)	–
Dividend received from an available-for-sale investment	–	720
Proceeds from disposal of items of property, plant and equipment	149	2,607
Decrease/(increase) in pledged time deposits	5,000	(10,220)
Net cash used in investing activities	(401,068)	(174,085)
Cash flows from financing activities		
Proceeds from loans and borrowings	550,000	400,000
Repayment of loans and borrowings	(300,409)	(155,411)
Capital contribution by a non-controlling interest	7,350	–
Dividends paid on ordinary shares	(37,000)	(30,317)
Net cash generated from financing activities	219,941	214,272
Net increase in cash and cash equivalents	155,607	146,345
Cash and cash equivalents at beginning of period	514,098	162,773
Cash and cash equivalents at end of period	669,705	309,118

Notes to the Condensed Consolidated Interim Financial Information

30 June 2012

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. As at 30 June 2012, 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 and general trading. The principal activities of the Company's subsidiaries are the manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution, and coal mining and sales of coal.

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with Singapore Financial Reporting Standard ("SFRS") 34 "Interim Financial Reporting" issued by the Singapore Accounting Standards Council and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant regulations of the SGX-ST.

The condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information of the Group are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2011, except for the adoption of the following new and revised SFRSs for the first time for the current period's condensed consolidated interim financial information.

- Amendments to SFRS 107 *Disclosures – Transfers of Financial Assets*
- Amendments to SFRS 101 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to SFRS 12 *Deferred Tax: Recovery of Underlying Assets*

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

3. 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, the Group had acquired a subsidiary that is engaged in coal mining and the sale of coal in November 2011. However, in the opinion of the directors, there were only limited operations in this 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 reportable segment profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated interim financial information. 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.

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 mainly other income, other expenses, selling and distribution expenses, general and administrative expenses, finance 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 mentioned above 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 the different segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by operating segments.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

3. OPERATING SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2012

	Urea (Unaudited) RMB'000	Compound fertiliser (Unaudited) RMB'000	Methanol (Unaudited) RMB'000	Others (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
REVENUE						
Sales to external customers	1,266,274	505,861	252,327	6,481	–	2,030,943
Intersegment sales	194,605	5,551	–	3,245	(203,401)	–
Total revenue	1,460,879	511,412	252,327	9,726	(203,401)	2,030,943
Segment profit/(loss)	297,525	81,209	(5,330)	1,037	–	374,441
Interest income						2,113
Unallocated other income						6,756
Unallocated expenses						(128,492)
Finance costs						(42,975)
Profit before tax						211,843
Income tax expense						(36,503)
Profit for the period						175,340

For the six months ended 30 June 2011

	Urea (Unaudited) RMB'000	Compound fertiliser (Unaudited) RMB'000	Methanol (Unaudited) RMB'000	Others (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
REVENUE						
Sales to external customers	1,162,149	449,137	175,523	3,544	–	1,790,353
Intersegment sales	147,528	–	–	4,841	(152,369)	–
Total revenue	1,309,677	449,137	175,523	8,385	(152,369)	1,790,353
Segment profit/(loss)	156,599	67,410	(17,341)	203	–	206,871
Interest income						379
Unallocated other income						5,058
Unallocated expenses						(113,371)
Finance costs						(36,415)
Profit before tax						62,522
Income tax expense						(12,991)
Profit for the period						49,531

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

4. REVENUE AND OTHER INCOME/(EXPENSES), NET

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 other expenses is as follows:

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
Sale of goods	2,030,943	1,790,353
	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Other income		
Bank interest income	2,113	379
Net profit from sales of by-products	962	2,440
Service fee income from related parties	1,172	807
Amortisation of deferred grants	247	247
Dividend income from an available-for-sale investment	–	720
Penalty income	2,483	225
Subsidy income	609	100
Others	1,283	519
	8,869	5,437
Other expenses		
Loss on disposal of items of property, plant and equipment	(3,345)	(1,159)
Exchange loss, net	–	–
Impairment loss on an available-for-sale investment	–	(7,861)
Others	(774)	(1,150)
	(4,119)	(10,170)
Other income/(expenses), net	4,750	(4,733)

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

5. FINANCE COSTS

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	33,402	36,415
Interest on bank loans, overdrafts and other loans, wholly repayable after five years	19,301	–
Less: interest capitalised	(9,728)	–
	42,975	36,415

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Cost of inventories sold	1,656,502	1,583,482
Depreciation of property, plant and equipment	88,916	84,187
Amortisation of prepaid land lease payments	1,008	993
Amortisation of coal mining right	769	–
Minimum lease payments under operating leases:		
Land	706	176
Buildings	240	270
	946	446
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	103,024	66,635
Contributions to defined contribution plans	14,288	9,589
Welfare expenses	6,670	4,293
	123,982	80,517
Auditors' remuneration	700	710
Impairment loss on an available-for-sale investment	–	7,861
Loss on disposal of items of property, plant and equipment	3,345	1,159

7. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% for the six months ended 30 June 2012 (six months ended 30 June 2011: 17%).

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

7. INCOME TAX (CONTINUED)

The Company's subsidiaries in Mainland China are subject to an income tax rate of 25% (2011: 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%). For the six months ended 30 June 2011, this subsidiary was in its fifth profitable years and hence was subject to a concessionary tax rate of 12.5%. For the six months ended 30 June 2012, this subsidiary was subject to a concessionary tax rate of 15.0% as it obtained the New/High Technology award.

The major components of income tax expense for the six months ended 30 June 2012 and 2011 are:

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Current – PRC		
Charge for the period	33,461	9,703
Deferred	3,042	3,288
Total tax charge for the period	36,503	12,991

8. DIVIDEND

Final dividend of RMB37,000,000 (year ended 31 December 2010: RMB30,317,000) for the year ended 31 December 2011 was declared and paid during the six months ended 30 June 2012.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

Earnings per share is calculated by dividing the Group's profit for the period attributable to ordinary equity holders of the Company by the weighted average number of 1,176,000,000 (six months ended 30 June 2011: 1,000,000,000) ordinary shares (inclusive of mandatorily convertible instruments issued during the period) outstanding during the period.

There were no potentially dilutive ordinary shares in existence during the six months ended 30 June 2012 and 2011 and therefore the diluted earnings per share amounts for those periods were the same as the basic earnings per share amounts.

10. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND COAL MINING RIGHT

During the period, payments for purchases of items of property, plant and equipment, land use rights and coal mining right and proceeds from disposal of items of property, plant and equipment of the Group amounted to approximately RMB398,717,000 and RMB149,000 (six months ended 30 June 2011: RMB167,192,000 and RMB2,607,000), respectively.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

11. PREPAYMENTS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT		
Prepayments:		
Prepayments for purchases of items of plant and equipment	396,571	216,822
CURRENT		
Prepayments:		
Advanced deposits to suppliers	117,715	113,591
Current portion of prepaid land lease payments	2,117	2,117
Other prepayments	–	825
	119,832	116,533

12. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT		
Unlisted equity investment, at cost:		
PRC	7,500	–
CURRENT		
Listed equity investment, at fair value:		
Singapore	7,854	5,705

The above investments in equity securities are designated as available-for-sale financial assets and have no fixed maturity or coupon rate.

The available-for-sale investment classified as non-current is an unlisted equity investment which the Group made in a company incorporated in the PRC in the six months period ended 30 June 2012.

The available-for-sale investment classified as current is a listed equity investment in Singapore which had a revaluation gain of RMB2,149,000 for the six months period ended 30 June 2012. The available-for-sale investment revaluation reserve was therefore credited by RMB2,149,000 in the consolidated statement of financial position. During last period, a provision for impairment loss of RMB7,861,000 was made for the available-for-sale investment with a carrying value (before impairment) of RMB21,778,000 because there was a significant decline in the fair value of the available-for-sale investment.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

13. INVENTORIES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Raw materials	200,697	363,830
Parts and spares	19,492	13,941
Work-in-progress	4,223	6,077
Finished goods	198,153	209,266
	422,565	593,114

14. TRADE AND BILLS RECEIVABLES

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade receivables	19,242	28,725
Bills receivable	16,509	2,050
	35,751	30,775

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 Renminbi ("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.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice due date and net of provisions, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 1 month	9,652	20,256
1 to 3 months	7,824	1,842
3 to 6 months	749	6,625
6 to 12 months	1,017	2
	19,242	28,725

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Time deposits	5,000	53,632
Less: Pledged time deposits	(5,000)	(10,000)
Cash at banks and on hand	669,705	470,466
Cash and cash equivalents	669,705	514,098

At 30 June 2012, the cash and bank balances of the Group denominated in RMB amounted to RMB663,565,000 (31 December 2011: RMB497,273,000). 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.

16. 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:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 1 month	44,517	37,048
1 to 3 months	2,292	77,608
3 to 6 months	454	3,288
6 to 12 months	16,109	2,596
Over 12 months	790	303
	64,162	120,843

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2012			31 December 2011		
	Contractual interest rate	Maturity	RMB'000 (Unaudited)	Contractual interest rate	Maturity	RMB'000 (Audited)
CURRENT						
Bank loans						
– secured (note (a))	–	–	–	6.45%	2012	90,000
– unsecured	5.7% to 6.65%	2013	630,000	5.4% to 7.1%	2012	451,000
			<u>630,000</u>			<u>541,000</u>
NON-CURRENT						
Bank loans						
– unsecured	6% to 7.32%	2014 to 2018	1,219,500	5.04% to 7.32%	2013 to 2016	1,058,000
Loan from the government						
– unsecured (note (b))	Floating rate at 0.3% above the market prime lending rate	–	8,182	Floating rate at 0.3% above the market prime lending rate	2013	9,091
			<u>1,227,682</u>			<u>1,067,091</u>
			<u>1,857,682</u>			<u>1,608,091</u>

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
--	-------------------------------------------	---------------------------------------------

Analysed into:

Bank loans repayable:

Within one year or on demand	630,000	541,000
In the second year	421,500	628,000
In the third to fifth years, inclusive	368,000	200,000
Beyond five years	430,000	230,000
	<u>1,849,500</u>	<u>1,599,000</u>

Other borrowings repayable:

In the third to fifth years, inclusive	8,182	9,091
	<u>1,857,682</u>	<u>1,608,091</u>

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 0.35% (2011: 0.3%) above the market prime lending rate and is not due to be repaid within the next 12 months.

The fair values of the Group's interest-bearing bank and other borrowings approximate to their carrying values.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

18. MAJOR NON-CASH TRANSACTION – INTEREST CAPITALISATION

During the period, the Group capitalised interest expenses of RMB9,728,000 (2011:Nil) to property, plant and equipment.

19. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

20. 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:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	1,000	1,082
In the second to fifth years, inclusive	3,461	3,488
After five years	26,984	27,416
	31,445	31,986

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital and other commitments at the end of the reporting period:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Capital commitments:		
Contracted, but not provide for:		
Buildings	249,909	179,785
Plant and machinery	445,494	128,593
	695,403	308,378
Authorised, but not contracted for:		
Plant and machinery	3,815,709	2,000,622
	4,511,112	2,309,000
Other commitments:		
Purchases of raw materials	4,840	5,954

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

22. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim financial information, the Group had the following transactions with related parties during the period:

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Sales of electricity, water and steam to:		
– Henan Shenzhou Heavy Sealing Co., Ltd. #	584	515
– Xinxiang Xinlianxin Gas Products Co., Ltd. #	5,071	4,081
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #	8	3
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	77	120
– Xinxiang Yuyuan Chemical Co., Ltd. #	386	338
– Xinxiang Xinlianxin Hotel Co., Ltd. #	90	63
Service fee income for provision of calibration and testing services to:		
– Henan Shenzhou Heavy Sealing Co., Ltd. #	12	14
– Xinxiang Xinlianxin Gas Products Co., Ltd. #	4	4
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	21	2
– Xinxiang Yuyuan Chemical Co., Ltd. #	8	7
Purchases of raw materials and consumables from:		
– Xinxiang Xinlianxin Gas Products Co., Ltd. #	119	119
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	2,373	1,114
Service fee expenses for provision of lifting services from:		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #	880	1,238
Operating lease expenses to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	240	240
Service fee expenses to:		
– Xinxiang Xinlianxin Hotel Co., Ltd. #	1,973	1,545
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #	92	–
Interest expense to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	–	439

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

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 June 2012

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Directors' fee	400	400
Salaries and bonuses	3,026	1,660
Contributions to defined contribution plans	48	30
Total compensation paid to key management personnel	3,474	2,090

23. SEASONALITY OF OPERATIONS

Due to the seasonal weather conditions, the sales of compound fertiliser are subject to seasonal fluctuations, with peak demand in the third quarter of the year.