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

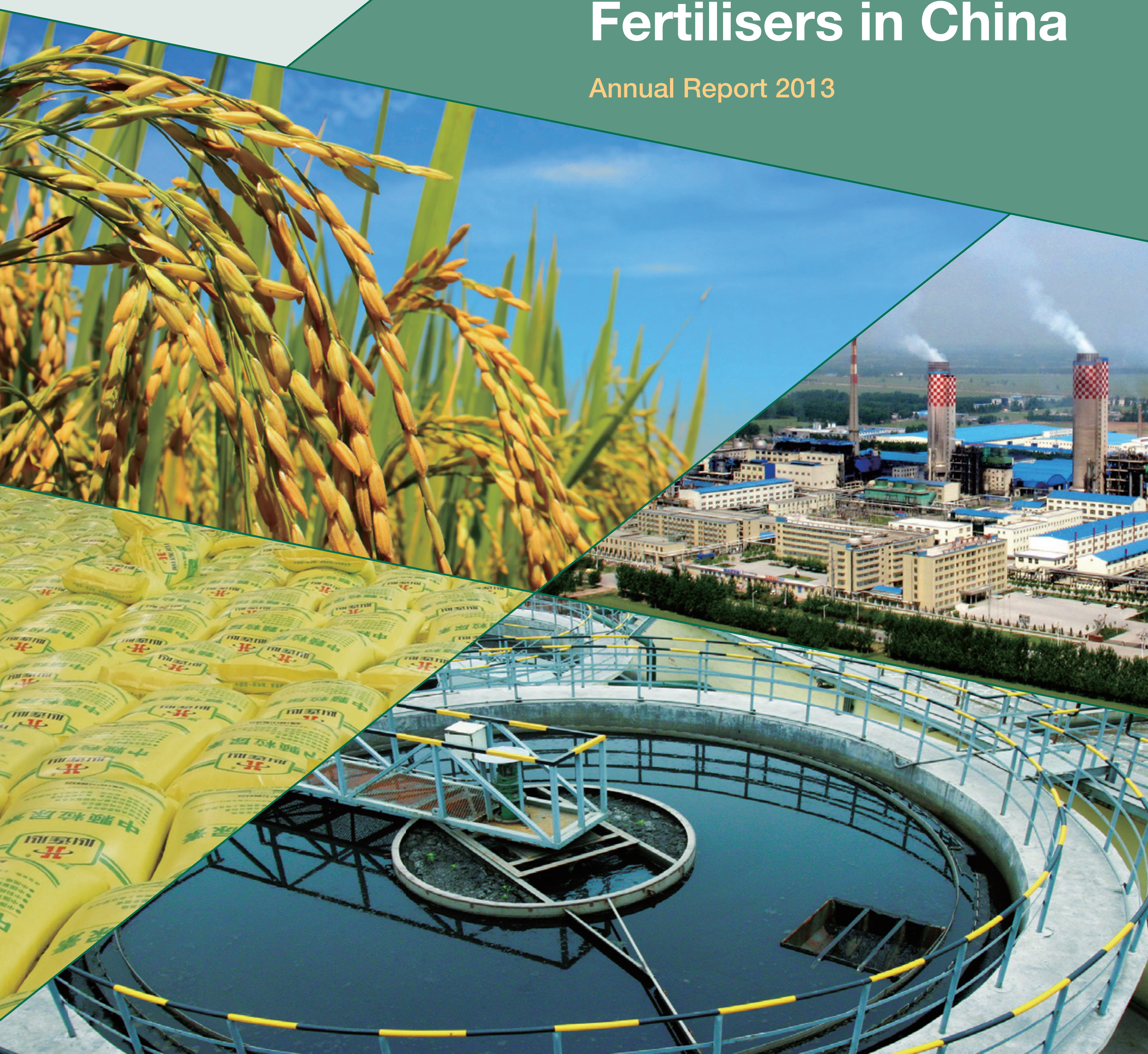
(Incorporated in Singapore with limited liability)

Singapore Stock Code: B9R
Hong Kong Stock Code: 1866

* For identification purpose only

Pioneer of High-Efficiency Fertilisers in China

Annual Report 2013



Contents

2 A Letter to Investors
14 Company Profile
15 Corporate Information
16 Financial Highlights
18 Milestones & Events in 2013
20 Chairman's Statement
25 Corporate Social Responsibility
27 Management Discussion and Analysis
34 Biographies of Board of Directors and Senior Management
38 Investor Relations

41 Corporate Governance Report
59 Report of the Directors
69 Statement by Directors
70 Independent Auditor's Report
72 Consolidated Statement of Profit or Loss and Other Comprehensive Income
73 Consolidated Statement of Financial Position
75 Statements of Changes in Equity
77 Consolidated Statement of Cash Flows
79 Statement of Financial Position
80 Notes to Financial Statements
142 Five-Year Financial Summary
143 Statistics of Shareholdings
145 Information for Investors
146 Glossary

China XLX Culture

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.

Integrity

China XLX establishes its corporate culture upon integrity.

We believe a strong and long standing corporation will be built based on trust and integrity.

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.

Committed

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

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

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

Looking ahead 2014, the senior management and all the employees of the Group will continue to work collaboratively and sincerely with guidance from the Board. We will endeavor to achieve better performance so as to create more value for the Shareholders.

2 Annual urea production capacity of over **Million tons**

2013 marked another milestone in the history of the Company's development. The fourth production plant of the Group successfully commenced production after three years' preparation, which makes the Group one of the largest urea producer in the urea industry in terms of urea production installation. The Group not only expanded its production capacity, but also realised its transformation from traditional fixed bed technology to coal-water-slurry-gasification technology.

Dear Valued Investors,

I would like to extend my gratitude for your continuous support and attention on China XLX. I am honored to report on the results and development achieved by China XLX in 2013, and to introduce our vision and plans for the coming year.

In 2013, despite the volatile economic environment both at home and abroad, the persisting downturn of fertiliser industry and the tough market competition, the Group proactively responded by implementing a series of measures, such as enhancing its efforts in the brand promotion, expanding its sales network and developing differentiated competition strategy. Thus, the Group realised an increase in the sales of urea, compound fertiliser and methanol, which partly offset the impact from the decrease in their selling prices. China XLX recorded a sales revenue of approximately RMB3,969 million, representing an increase of 0.6% as compared with the previous year. At the same time, our net profits dropped by 16.6%, while the overall gross profit margin rose to 18.8%. Considering both Shareholders' benefits and return, the Board of the Company declared a final dividend of RMB6 cents per share for the financial year ended 31 December 2013.

In the past year, we had some breakthrough developments regarding capacity expansion, production and operation, construction of sales channels, brand promotion and so on:

- Henan XLX was conferred the title of "Ammonia Energy Consumption Leader" for two consecutive years, reflecting the leading position of the Group in energy saving and efficiency enhancement.

▲ A trial run of a water soluble fertiliser production line in Xinjiang with an annual production capacity of 150,000 tons has been successfully completed. In the future, the Group will further expand its high-end polyaspartic-based water soluble fertiliser business, to enhance its overall profitability, by leveraging the existing brand position of the Company as the "High-efficiency Fertilisers in China".

▲ Henan XLX, a wholly-owned subsidiary of the Company, engaged in a strategic cooperation with 農業生產資料有限公司 of Heilongjiang Beidahuang Nongken Group ("北大荒集團"). The parties entered into a supply contract amounting to 120,000 tons of urea, a bold attempt to adopt a new cooperation model in the context of China's land transfer policy.

High-efficiency Fertilisers

Our new brand-building strategy

In 2013, the Group further launched its new brand-building strategy of promoting "High-efficiency Fertilisers in China" to consolidate its leading position in the market.

- Henan XLX and 皇城相府（集團）實業有限公司（"**皇城相府**"）in Yangcheng County entered into a strategic cooperation agreement, with a term from 2013 to 2017. Pursuant to the agreement, 皇城相府 will continuously supply the Company with 1.05 million tons of anthracite rock coal in the next five years, representing approximately 20% of the Company's total usage.

- The Company issued its first overseas RMB bonds amounting to RMB250 million, further improved its domestic financial structure and successfully expanded into overseas bond markets.

- Henan XLX was awarded the "National Labour Day Medal", one of the highest recognitions by the All China Federation of Trade Unions. Ms. Yan Yunhua, our executive Director and Chief Financial Officer, received the "National Labour Day Medal" of Henan Province, and a number of employees of the Company also won various awards granted by the Henan Province Labour Union.

- After announcing the Group's new brand-building strategy, Henan XLX entered into a strategic cooperation agreement with the Weather Forecast Column of CCTV-1, by which the brand of XLX gained a presence on CCTV, further promoting its brand image and enhancing its influence.

- The Group's fourth production plant, which is located at the Northern and Eastern Side of Qinglong Road, Xinxiang Economic and Development Zone, Xinxiang City, Henan Province ("**fourth production plant**") successfully commenced production, and is expected to start full production in 2014.

At the same time, our fifth production plant ("**fifth production plant**") located at Manas, Xinjiang region and the Tower Compound Fertiliser Project（高塔複合肥項目）in Xinxiang were under development. Upon completion, China XLX will realise an annual production capacity of 2.6 million tons of urea, 1.65 million tons of compound fertiliser and 200,000 tons of methanol. This places us among the national top 3 of comparable fertiliser enterprises using coal as a raw material, in terms of comprehensive strengths. While China XLX kept growing its core business of chemical fertilisers, the Company also engaged in upstream coal resources, the downstream product chain and the fine coal chemical industry thus developing the Group's activities in several different directions.

Being one of the largest listed private enterprises in the chemical fertiliser industry in the PRC with the highest percentage of shareholding by employees, we aspire to be both the most profitable coal based urea manufacturer in the fertiliser industry and the most influential, competitive and respected coal chemical enterprise in China. We sincerely hope that our customers, our business partners, the government, peers in the trade, the media and the public, will find us reliable and consider China XLX as their first-choice provider.

Meanwhile, under the section "Investor Relations" in this Annual Report, you will see that the Board and the management of the Company place great emphasis on maintaining investor relations and work conscientiously to promote interaction and exchange with investors and enhance information transparency. In addition, in the section "Corporate Social Responsibility" in this Annual Report, we will illustrate the Group's commitments and achievements in social welfare, circular economy and environmental sustainability.

The Group devotes itself not only to being a leader in cost efficiency, but also a leader in the market, a leader in the technology industry and the best performer in commanding market resources capacity. Positioning itself as a "leader" and the "High-efficiency Fertilisers in China", the Company will proactively shoulder more corporate responsibility in leading the industry, rewarding farmers and serving the community, with higher standards. The Company will continue to enhance its operation and management, and strengthen its competitiveness in technology and cost-efficiency in the industry. The Company will also capture opportunities brought by market integration, so as to enable China XLX to achieve its goal of providing "High-efficiency Fertilisers in China" and becoming "the most respected enterprise in the fertiliser industry in China".

LIU Xingxu
Chairman of the Board
21 February 2014

Strengthen Capability

After putting the fourth production plant into production successfully, the Group will continue to actively realise the construction of its production base located at Xinjiang, to consolidate its upstream coal resources and to extend its downstream industrial chain in 2014.

Brand – Building Strategy

In 2014, the Group will continue to enhance its efforts in brand promotion and further promote its brand-building strategy of promoting "High-efficiency Fertilisers in China", so as to consolidate its leading status in the market.

中国唯一新加坡、香港两地上市化肥企业
心连心
中颗粒
尿素
(粒度范围d1.18mm-3.35mm) GB2440-2001
总氮≥46.4%
净含量:50kg
河南心连心化肥有限公司
中国唯一新加坡、香港两地上市化肥企业
心连心
复合肥料
N-P_2O_5-K_2O 23-17-5
总养分≥45%
净含量: 50kg含氯(中氯)
河南心连心化肥有限公司
中国唯一新加坡、香港两地上市化肥企业
心连心
复合肥料
N-P_2O_5-K_2O 16-18-6
总养分≥40%
净含量: 50kg含氯(中氯)
中国唯一新加坡、香港两地上市化肥企业
心连心
复合肥料
(腐植酸型)
20-20-5
总养份≥45%
土地松 · 肥效增

Resources Consolidation

The Group focuses on the establishment of a complete and fully-consolidated industrial chain, covering the whole process of raw material purchase, production, sales and customer service, so as to strengthen its position as a cost-efficiency leader in the fertiliser industry.

Leading Technologies

By adhering to its developmental strategy of applying leading technologies and maintaining cost-effectiveness, the Group attaches great importance to technological innovation.

Company Profile

China XLX was incorporated with limited liability on 17 July 2006 in Singapore under the Companies Act of Singapore, with its registered office at 80 Robinson Road, #02-00, Singapore 068898. The Group's headquarter and principal place of business in China is located in Xinxiang High Technology Development Zone (Xiaoji Town), Henan Province, the PRC. In terms of capacity and production cost, the Group is now one of the largest and most cost-efficient coal-based urea producers in the PRC, aiming to become one of the most profitable coal-based urea producers. The principal activities of its subsidiary, namely Henan XLX, are manufacturing, sales and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution.

The fourth production plant built in Xinxiang, Henan Province commenced production at the end of 2013. Currently, the estimated annual production capacity of urea, compound fertiliser and methanol are 2.10 million tons, 750,000 tons and 200,000 tons, respectively. At the same time, the Group is building the fifth production plant in Manas, Xinjiang which is scheduled to be completed and commence production in 2016. From then onward, the Group's annual production capacity will exceed 2.60 million tons. China XLX has been listed on the main board of the Hong Kong Stock Exchange since 8 December 2009 with stock code "1866", and on the Singapore Exchange since June 2007 with stock code "B9R".

Corporate Information

Board

Executive Directors

LIU Xingxu (Chairman of the Board & Chief Executive Officer)
YAN Yunhua (Chief Financial Officer)
LI Buwen

Non-executive Director

LIAN Jie

Independent Non-executive Directors

ONG Kian Guan (Lead Independent Non-executive Director)
LI Shengxiao
ONG Wei Jin

Board Committees

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
ONG Kian Guan

Authorised Representatives under Listing Rules

YAN Yunhua
SOON Yuk Tai

Authorised Representatives under Listing Manual

YAN Yunhua
TEO Meng Keong

Joint Company Secretaries

SOON Yuk Tai
TEO Meng Keong

Auditor

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

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
China CITIC Bank
HSBC
Standard Chartered Bank

Registered Office

80 Robinson Road
#02-00, Singapore 068898

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

Stock Codes

Singapore Stock Code: B9R
Hong Kong Stock Code: 1866

Corporate Website

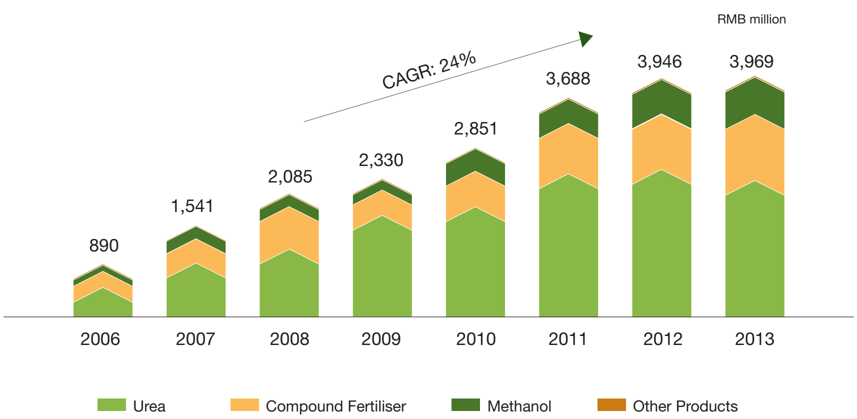
http://www.chinaxlx.com.hk

Financial Highlights

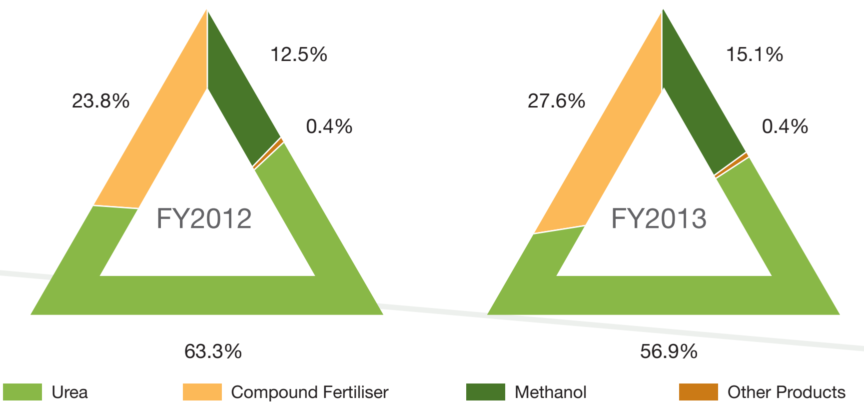
Results performance of 2013

(RMB million)	2012	2013
Revenue	3,946	3,969
Cost of sales	(3,226)	(3,221)
Gross profit	720	748
Profit before tax	372	312
Income tax expense	(61)	(52)
Profit after tax	311	259
Basic and diluted earnings per share (RMB cents)	26.46	22.45
Shareholders' equity per share (RMB)	2.32	2.51
Dividend per share (RMB cents)	6.30	6.00
Gearing ratio (%)	50.8	61.9

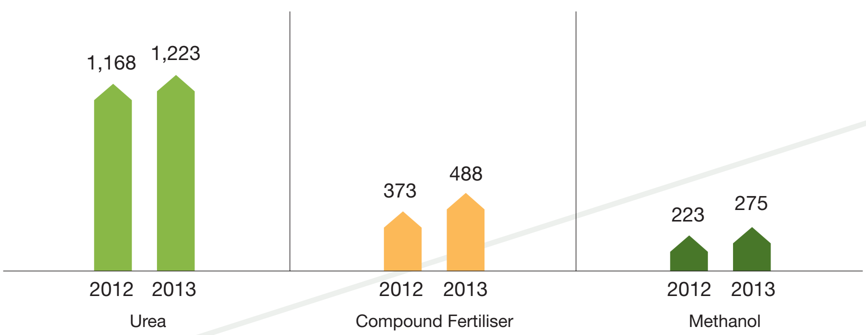
Total revenue continued to grow steadily



Revenue breakdown by segment



Sales volume breakdown by segment ('000 tons)



Milestones & Events in 2013

January

- ▲ Water soluble fertiliser production line commenced operation in Xinjiang

February

- ▲ Raw material restructuring projects commenced

March

- ▲ Entered into the "Undertaking for Quality" for bringing culture of honesty into practice

Honors Received in 2013:

1. Benchmark Enterprise for Effective Operation of National Management System
2. National Labour Day Medal

April

- ▲ Awarded as a "Benchmark Enterprise for Effective Operation of National Management System" by Quality Assurance Centre of China Association for Quality

May

- ▲ Awarded the "National Labour Day Medal" by All China Federation of Trade Unions

June

- ▲ Interviewed by "News Broadcasting" of CCTV, for upgrading to a large-scaled national "Green Fertiliser Industrial Park"

July

- ▲ Awarded as a "Ammonia Energy Consumption Leader" by the China Petroleum and Chemical Industry Federation again

August

- ▲ 2013 Semi-annual Marketing Summit was convened
- ▲ Successfully issued the first phase of overseas RMB bond of RMB250 million

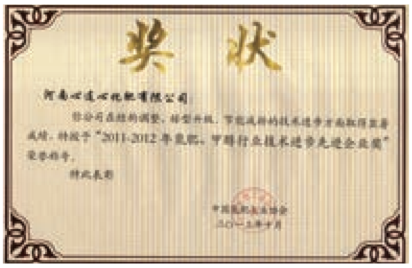
September

- ▲ Established a postdoctoral research station upon approval from the Ministry of Human Resources and Social Security and National Post-doctoral Development Administration Committee
- ▲ Entered into an off-season fertiliser reserve agreement with the National Development and Reform Commission and the Ministry of Finance
- ▲ Reached strategic cooperation with 北大荒集團

3. Ammonia Energy Consumption Leader
4. Advanced Technology Progress Enterprise Awards in nitrogen fertiliser industry and methanol industry

October

- ▲ Awarded an enterprise award and an individual award by China Nitrogen Fertiliser Industry Association for the first time



November

- ▲ Entered into a strategic cooperation agreement with House of the Huangcheng Chancellor Group

December

- ▲ 2013 Annual Marketing Summit was convened

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited financial statements of the Group for the financial year ended 31 December 2013 to the Shareholders.

Final Results

Achieving Stable Revenue and Gross Profit Growth

In 2013, the revenue of the Group was approximately RMB3.969 billion, representing a year-on-year growth of 0.6%. Net profits amounted to approximately RMB259 million, representing a year-on-year decrease of 16.6%. Overall profit margin reached 18.8%, representing a year-on-year increase of 0.6 percentage point.

Dividends and Dividend Payout Ratio

The Board proposed the payment of a final dividend of RMB6 cents per share for the year ended 31 December 2013 (2012: RMB6.3 cents) on 26 May 2014 to Shareholders whose names appear on the Company's Register of Members on 9 May 2014. The dividend payout ratio was 23% of profit after tax. At the time of its listing on the Singapore Exchange in 2007, the Company made an undertaking to its Shareholders to maintain a dividend payout ratio of no less than 20% of the annual net profit attributable to Shareholders for each of the three years between 2007 and 2009. The Company has honoured its promise. After the conclusion of the undertaking period, the dividend payout ratio was still maintained at over 20%.

Production and Operating Conditions

Production and Operation Remained Stable

In 2013, the Group's plant I and plant III ceased production for maintenance for nine days and eight days respectively in the second quarter. Under such circumstances, the Group endeavoured to enhance operation efficiency through technological reform and successfully secured an annual urea production outputs of over 1,350,000 tons. The overall utilisation rate of production facilities arrived at 108%. Driven by a highly improved gross profit margin, the capacity utilisation rate of methanol stood at 135%.

Urea

In 2013, as the whole urea industry remained sluggish, the Group's revenue derived from the sales of urea amounted to approximately RMB2,258 million, representing a year-on-year decline of 10%. Although sales volume of urea increased by 5% during the year to approximately 1,223,000 tons, average selling price dropped by 14% to RMB1,846 per ton, reducing our revenue from urea. Under our vigorous cost control, and influenced by the weak coal prices, during the year under review, the average sales cost reduced by 13% as compared with the previous year, partially offsetting the decline in selling prices. The gross profit margin of the urea business slightly declined from 23% in 2012 to 22% in 2013.

Compound Fertiliser

A slight decrease in the gross profit margin of compound fertiliser was recorded for the year, declining from 14% in 2012 to 11% in 2013. This was mainly due to the decrease in average selling prices of compound fertiliser by approximately 11% and was partially offset by the decrease in average cost of sales by approximately 8%.

Methanol

The gross profit margin of methanol increased significantly from 4% in 2012 to 21% in 2013. This was mainly due to the sustained low price of the raw material, coal, and higher selling price stimulated by downstream demand.

Development Strategies

Adhering to our strategy of maintaining cost-effectiveness and high profitability, the Group attained the lowest coal and power consumption among all enterprises in the domestic nitrogen fertiliser industry. Centred on our brand position as a "High-efficiency Fertilisers in China", the Group stressed our differentiation competition strategies of product structure, technological content and marketing services, so as to become the most respected enterprise in the PRC fertiliser industry.

Development Mode:

On the basis of continuing to grow our core fertiliser business, we are going to explore upstream for coal resources and expand downstream for product chains, with a view to embarking on a diversified development of coal chemicals.

The Twelfth Five-Year Plan and the Company's Vision for Long Term Development:

Relying upon resources from our production bases in Xinxiang and Xinjiang, and taking into account our own situation, we will capitalise on our strengths in human resources and capital markets, consolidate our management base, enhance our creativity in technologies, adjust our structures of raw materials and products, and improve our core competitiveness, so as to ensure that the Group develops in a modern, large-scale and healthy way.

Liu Xingxu

Chairman of the Board

Mainline of Development:

1. Fertiliser and its further processing. We give full play to differentiated competition by launching a series of urea products, such as polyaspartic-based urea, slow release chemical fertiliser, ordinary urea granules, large urea granules, medium granules, etc. We develop our compound fertiliser from urea-based compound fertiliser using various formulas (多配方尿基複合肥) and form several advantageous product mixes such as polyaspartic-based urea, slow release chemical fertiliser, and BB fertiliser. Besides, we have also introduced nitryl compound fertilisers to our product lines.

2. Coal chemical and its diversification. We focus on clean coal gasification to expand coal-based chemical products and develop circular economy projects, including CO2, LNG, and furfuryl alcohol projects, using H2, CO, and CO2 as raw materials.

3. Development of new materials. We are strategically positioned to produce organic chemical and new material products with low supply and high added value.

Corporate Governance

With its mission to serve the best interests of its Shareholders, the Board has consistently strived to enhance the standard of corporate governance and to develop a standardised, highly effective and scientific corporate governance mechanism. The Company held seven board meetings in the year 2013 to review and approve matters including the quarterly results reports, interim report, annual report, dividend payout ratio, connected transactions and the developmental strategies of the Group. The AC, the RC and the NC have exercised and performed the rights and duties conferred on them by the Board with a view of raising the standards of the Group's internal control and perfecting the Group's governance structure. In 2013, the Company continued to engage PricewaterhouseCoopers to conduct internal audit for the Group. The purpose is to enhance internal risk control over eight areas, namely fixed assets, capital management, financial report, information system, purchasing, sales, inventory and security of funds, and operational efficiency.

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 to make informed investment decisions. We communicate with our investors through different channels. For instance, our management holds one-on-one meetings with institutional investors, attends luncheons and takes part in large investor conferences regularly. Please refer to the "Investor relations" section in this Annual Report for more details.

Prospects

I am confident that the Group will continue to perform well in 2014. My confidence is founded on several factors as below:

1. More Supportive Policies from the Central Government

- ▲ The Number 1 Document of the Central Government focused on "Agriculture, Farmers and Rural Areas" for eleven years in a row. The Number 1 Document of the Central Government for 2014 stressed further improving the agriculture support and protection system and introducing more policies to strengthen the agricultural sector, facilitate rural development, and increase farmers' income.

- ▲ The funding from the government for the development of "Agriculture, Farmers and Rural Areas" has increased every year and reached a historical high of nearly RMB1,400 billion in 2013. In the Number 1 Document for 2014, the government finalized its policies on "support towards the agriculture industry" and the "provision of more funding" on the development of "Agriculture, Farmers and Rural Areas" pledging to regard "Agriculture, Farmers and Rural Areas" as the focus of public finances, and to allocate more infrastructure investments from Central Government to "Agriculture, Farmers and Rural

Areas", so as to ensure stable growth of investment in "Agriculture, Farmers and Rural Areas". In the meantime, the government has also broadened the funding sources of "Agriculture, Farmers and Rural Areas" to give scope to the guidance function of financial funds from the government.

▲ Subsidies for the fertiliser industry have not been completely withdrawn and the government continues to provide subsidies on VAT, electricity costs and rail rates.

▲ The minimum purchase prices of major crops continued to edge up. In order to ensure farmers' willingness to grow grains and promote crop production, the state continues to impose the policy of minimum purchase price for major wheat-growing areas and increases the minimum purchase level during 2014 as appropriate. The minimum purchase price of wheat (3rd class) produced in 2014 rose to RMB118 for every 50 kg, an increase of RMB6 from 2013.

▲ At the end of 2013, the State Council announced the tax policy on urea exports for 2014, which was effective from 1 January 2014. As compared with the export tax for 2013, no change was seen in the window period for major fertilisers, but the export tariff was adjusted downward and is to be levied both on a unit and an ad valorem basis. The tariff for urea export during off-season (July to October) was RMB40 per ton, and the tariff during peak season (January to June, November and December) was charged at 15%, plus RMB40 per ton.

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

2. Corporate Expansion with Cost Efficiency Revealed

2013 marked another important milestone for XLX in the course of its development. This year saw the use of the new technology of "gasification of coal powder" by us, and the fourth urea production plant (with annual production capacity of 800,000 tons) commenced production after the first feeding. In terms of scale, the Group's annual production capacity of urea increased by 64%, which means a jump to over 2,000,000 tons, and became the largest urea production installations in China. In terms of technology, the new raw material line and production technique adopted reduced the Group's production cost effectively, thus laying a solid foundation for the Group to maintain itself as the cost leader in the industry. In addition, XLX was recognised as a benchmark enterprise of "Ammonia Energy Consumption Leader（合成氨能效領跑者）" for two consecutive years in 2012 and 2013 and ranked first in terms of cost control among all industrial peers. During 2013, China XLX was approved to set up a postdoctoral research station, and this indicates that our research and development capacity stands at the forefront of the coal chemical industry. In terms of management, a new set of requirements was given to the operation team. The Group also strived to improve its management and operational efficiency through excellent performance management, a balanced scorecard and comprehensive integrated administration.

3. Technical Upgrade to Realise Product Efficiency

As society develops, new types of fertilisers that have high efficiency, save labour and time, and are environmentally friendly have become the development trend in modern agriculture. While maintaining cost-effectiveness, XLX proposed a differentiation strategy to speed up innovation of new types of fertilisers. Over the years, XLX cooperated with the Chinese Academy of Sciences and other research institutions to integrate production, academic development, and research. Since 2006, XLX has launched a series of highly effective, highly active, and environmentally friendly fertilisers such as polyaspartic-based urea, polyaspartic-based compound fertiliser, slow release fertiliser, and special fertiliser for a model village, which are widely welcomed by merchants and farmers.

4. Optimising Sales Network and Strengthening Brand Promotion

During 2013, China XLX fully concentrated its marketing efforts around its brand position of "High-efficiency Fertilisers in China", carried out sales by offering solutions, established a first-class sales force, furthered consolidation and expansion of its sales network according to our market layouts that "Lead Central China, Consolidate North China and Focus on South China（主導中原、 鞏固北方、 主攻南方）", gave scope to our differentiation competition strategy in product structure, technological content, and marketing services and gradually formed a China XLX featured marketing service system that integrates agrichemical service, information service, and market training. China XLX also vigorously propelled e-commerce. Currently, since our self-established e-commerce was put into operation, the number of e-commerce customers has exceeded 650, and trading volume of our e-commerce has reached 86% of local market sales.

XLX continued to build its brand identity, launching an all-new brand strategy. The Company appointed Mr. Tang Guo Qiang, a famous actor, as its image representative, advertised its products during prime time on CCTV-1 and on other local mainstream media, marketed our goods at terminals, and substantiated propagation, to promote our brand awareness and influence.

On 22 June 2013, News Broadcasting on CCTV-1 reported that China XLX had strengthened its scientific research and innovation, realized on industrial upgrade and embarked on a path for development of new coal chemical at "low cost, low emissions, and high efficiency". The report greatly boosted the brand awareness and reputation of China XLX.

On October 2013, China XLX signed a strategic cooperation agreement with Weather Forecast（天氣預報）program of CCTV-1. At the end of December 2013, the grand historical TV series "Mao Zedong" was broadcast on CCTV-1 Golden Theater. Mr. Tang Guo Qiang, China XLX's image representative, played the role of Mao Zedong. China XLX thereby took this opportunity to benefit from the influence of CCTV's platform and its image representative to promote its brand awareness.

The Group is located at Henan, a province that boasts of being China's most populous province, with the largest agricultural production and the highest urea consumption. Henan has a distinctive geographical advantage. As the largest fertiliser enterprise in Henan, China XLX will strive to expand its local market share. With the establishment and commencement of its fourth urea production plant, the Company is confident that the Group's market share will be increased. Leveraging on the excellent team at the fertiliser service centre（農化服務中心）in Henan Province and the central plain area and strong brand promotion, we can achieve our sales target and realise our goal in profit growth.

Appreciation

Last but not least, on behalf of the 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 throughout. In 2014, the Group's management and staff will work cohesively under the leadership of the Board to keep the fourth production plant in sound operation, so as to generate profit as soon as possible. We will also continue to speed up the construction of the fifth production plant in Xinjiang, conduct consolidation and reform of upstream coal resources, and maintain cost effectiveness to meet the rapid development stage in the next three to five years. We will endeavor to achieve better performance so as to create more value for the Shareholders, thereby achieving higher investment returns.

LIU Xingxu
Chairman of the Board
21 February 2014

Corporate Social Responsibility

As the only one China-based fertiliser company listed on both Hong Kong Stock Exchange and Singapore 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 staff in good faith, striving to improve our execution efficiency and quality by virtue of our expertise superiority. Besides, performance of our corporate social responsibilities has been combined with enhancement of our long-term competitive edges. The Company has obtained ISO14001 certificate under Environmental Management System and ISO18001 certificate under Occupation Health Safety Management System respectively.

Environmental Protection and Sustainable Development

The Group places much importance on environmental protection, energy-saving and emission reduction, and has continuously formulated and improved a series of regulation policies to improve our environmental management, laying a solid foundation for future development. In 2013, the Group allocated RMB4.10 million on environment protection, of which RMB1.50 million was used for the upgrade of sewage terminal and refuse oil refining projects to realise comprehensive utilisation of the internal resources of the Group; and RMB2.60 million was spent on flue gas desulphurisation and flue gas denitrification projects aiming for reducing the emission concentration of waste gas pollutants, which represented the social responsibility of the Group. Further, the Group has ensured accomplishment of its target for environment-friendly emission through application of the comparison management model by virtue of the environmental information platform, which helped the Group win such honours as 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" successively. Meanwhile, more than RMB7.00 million was invested in establishing its energy management Centre in which public energy such as water, power and steam was allocated and utilised on an overall basis, which in turn improved the utilisation efficiency of energy.

China XLX carefully implemented the national policies relating to energy saving and environmental protection. Through management optimisation and technology upgrade, the Group actively promoted the clean production of nitrogen fertiliser and the recycling economy, and accelerated the development and promotion of new technologies regarding energy saving, emission reduction and pollutants control so as to substantially reduce the emission of pollutants and improve the utilisation of resources. The Group made sure that the policies of energy saving and environmental protection were followed throughout the whole process of production, with specific objectives and responsibilities assigned to specific positions, as a result of which agreeable results have been achieved both in improvement of energy saving and environment protection technology and scientific management.

Occupation Health and Safety of Employees

In strict accordance with the Occupational Disease Prevention Measures (《職業病防治法》), China XLX conducted site inspection and physical examination for employees, and prepared occupational sanitary files and occupational health monitoring files. Besides, the Company made application to the relevant safety administration for supervision and regulation from government authorities. China XLX realised nil occurrence of occupational disease through the whole year of 2013 by adopting the following measures as detailed below:

1. Cooperation with the Research Institute of Prevention from Occupational Disease of Xinxiang and arranging monitoring and inspection on such factors leading to occupational disease. A physical examination was organised for the employees in respect of their occupational health in May 2013. The Company made such improvements as required based on the aforesaid monitoring and inspection and physical examination, and provided additional training in relation to occupational health for employees.

2. Further regulate management by reference to the site inspection report on those hazardous factors leading to occupational disease as per the comments for correction; in compliance with the relevant laws and regulations such as the Occupational Disease Prevention Measures, the Company supervised site correction, improved such two files as mentioned above and reported to the relevant safety administration for supervision.

3. Frequent investigation and research on protective articles involved in positions exposing to occupational hazards were conducted by all the branch plants, so as to ensure effective protection and comfortable wearing. Meanwhile, relevant systems were in place to supplement supervision, making it possible for employees to form habits gradually under a relatively comfortable environment and thus ensuring their heath both on physical and mental levels.

Public-Spirited Passion and Contribution to Society

It is the philosophy of social responsibility of China XLX to honour integrity in business operations and taxation by law. In 2013, the Group paid RMB136 million taxes in total. Meanwhile, the Group is keen to participate in social services concerning environmental protection, education, culture, sports, science, sanitary affairs, community construction and poverty alleviation. As an enterprise dedicated to devoting itself and providing returns to the society, the Group donated a total amount of RMB2,617,000 in 2013, of which, RMB1,980,000 was donated to China Resources Charitable Fund and RMB400,000 was donated to “Give Warmth, Show Your Love” donation activity.

Management Discussion and Analysis

(I) Business Review

Production profile of the Group in 2013:

Output:

As of the end of 2013, the total output of urea from the Group for the year reached 1,347,000 tons. The total output of compound fertiliser and methanol for the year reached 525,000 tons and 273,000 tons respectively.

Utilisation rate of production facilities:

	For the year ended 31 December					
	2013			2012		
	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	1,347	108	1,250	1,316	105
Compound fertiliser	750	525	70	750	398	53
Methanol	200	273	137	200	223	112

Coal and power consumption:

	For the year ended 31 December	
Coal consumption (ton)	2013 Per ton of urea	2012 Per ton of urea
Feed coal	0.626	0.627
Fuel coal	0.131	0.165
Total coal consumption	0.757	0.792

	For the year ended 31 December	
Power consumption (kwh)	2013 kwh per ton	2012 kwh per ton
Urea	741	743
Compound fertiliser	22	23
Methanol	839	823

(II) Financial Review

Revenue

Revenue for the financial year ended 31 December 2013 ("**FY2013**") increased by approximately RMB23 million or 0.6% from approximately RMB3,946 million in the financial year ended 31 December 2012 ("**FY2012**") to approximately RMB3,969 million in FY2013. The increase was mainly due to the increase in urea, methanol and compound fertiliser sales volume.

Urea

Revenue derived from the sales of urea decreased by approximately RMB241 million or approximately 9.6% from approximately RMB2,499 million in FY2012 to approximately RMB2,258 million in FY2013. Such decrease was mainly due to the decrease in average selling price by approximately 13.8%. The decrease in average selling price was offset by the increase in sales volume by approximately 4.8%.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB106 million or approximately 21.4% from approximately RMB495 million in FY2012 to approximately RMB601 million in FY2013. Such increase was mainly due to the increase in sales quantity by approximately 23.5% despite the decrease in the average selling price by approximately 1.6%.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB158 million or approximately 16.8% from approximately RMB938 million in FY2012 to approximately RMB1,096 million in FY2013. Such increase was mainly due to the increase in sales volume by approximately 30.6% despite the decrease in average selling price by approximately 10.5%.

Profitability

Overall profit margin increased from 18.2% in FY2012 to 18.8% in FY2013 due to the increase in methanol gross profit margins.

Urea

Gross profit margin for urea sales decreased from approximately 22.9% in FY2012 to 22.1% in FY2013 due to the lower urea average selling prices. The urea average selling prices decreased by approximately 13.8% as compared against FY2012. The decrease in average selling prices was offset by the decrease in average cost of sales by approximately 12.8%.

Methanol

Gross profit margin for methanol increased from approximately 3.9% in FY2012 to 21.2% in FY2013 despite the decrease in the average selling prices by approximately 1.6% in FY2013. This was mainly due to lower coal prices which reduced the methanol average cost of sales by about 19.1% in FY2013 as compared against FY2012.

Compound fertiliser

Gross profit margin for compound fertiliser decreased from approximately 13.6% in FY2012 to 10.9% in FY2013. This was mainly due to the decrease in the compound fertiliser average selling prices by approximately 10.5% and was partially offset by the decrease in average cost of sales by approximately 7.7%.

Other income and gains

Other income decreased by approximately RMB3 million from approximately RMB29 million in FY2012 to approximately RMB26 million in FY2013 mainly due to the decrease of RMB9 million in government subsidies in FY2013. The decrease was partially offset by the increase in exchange gain of approximately RMB7 million due to the appreciation of RMB against the US Dollar.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB13 million from approximately RMB69 million in FY2012 to approximately RMB82 million in FY2013. The increase in selling and distribution expenses was mainly due to increases in travelling expenses, salaries, transportation expenses and publicity expenses by approximately RMB4 million, RMB4 million, RMB4 million and RMB1 million respectively so as to strengthen the Group's sales networks.

General and administrative expenses

General and administrative expenses increased by approximately RMB74 million or 36.3% from approximately RMB202 million in FY2012 to approximately RMB276 million in FY2013. The increase was mainly due to the increase in advertising and publicity expenses by approximately RMB29 million to strengthen the Group's distribution networks, which is in line with the Group's expansion. Staff costs and welfare expenses increased by approximately RMB17 million due to the engagement of new employees to be trained for Production Plant IV and Xinjiang Project. Office, environmental and consultancy expenses have also increased by approximately RMB7 million due to the Group's expansion. Other general and administrative expenses such as research and development expenses, depreciation and amortisation costs increased by approximately RMB20 million.

Other expenses

Other expenses decreased by approximately RMB13 million from approximately RMB22 million in FY2012 to approximately RMB9 million in FY2013. The decrease was mainly due to the decrease in loss on disposal of items of property, plant and equipment, expenses for former owner of Tianli and impairment loss on available-for-sale investment by approximately RMB5 million, RMB7 million and RMB1 million respectively.

Finance costs

Finance costs increased by approximately RMB13 million or 15.4% from approximately RMB82 million in FY2012 to approximately RMB95 million in FY2013. The increase was due to an increase in interest-bearing bank and other borrowings raised in FY2013 as compared against FY2012.

Income tax expense

Income tax expense decreased by approximately RMB9 million or 14.4% from approximately RMB61 million in FY2012 to approximately RMB52 million in FY2013 due to lower taxable profits.

Profit attributable to owners of the parent

The net profit attributable to owners of the parent of the Company decreased by approximately RMB47 million or 15.2% from approximately RMB311 million in FY2012 to approximately RMB264 million in FY2013. This was mainly due to the increase in general and administrative expenses, selling and distribution expenses and finance expenses by approximately RMB74 million, RMB13 million and RMB13 million respectively. The decrease in net profit attributable to owners of the parent of the Company in FY2013 was partially offset by the increases in gross profit by approximately RMB28 million and decrease in other expenses and income tax expenses by approximately RMB13 million and RMB9 million respectively.

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%.

	2013 RMB'000	2012 RMB'000
Due to a related company	–	135
Trade payables	88,171	110,773
Bills payable	260,143	25,800
Accruals and other payables	829,368	422,437
Interest-bearing bank and other borrowings	2,972,815	1,851,485
Short-term bond payable	300,000	300,000
Other payable	398	–
Long-term bond payable	250,000	–
Less: Cash and cash equivalents	(797,813)	(477,610)
Less: Pledged deposits	(148,961)	(12,900)
Net debt	3,754,121	2,220,120
Equity attributable to owners of the parent	2,511,280	2,321,202
Less: Statutory reserve fund	(199,295)	(167,873)
Total capital	2,311,985	2,153,329
Capital and net debt	6,066,106	4,373,449
Gearing ratio	61.9%	50.8%

Net debt includes interest-bearing bank and other borrowings, short-term and long-term bonds payable, trade and bills payables, amounts due to a related company, accruals and other payables, less cash and cash equivalents and pledged deposits. 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 2013		As at 31 December 2012	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	94,983	40,000	–	172,000
Short-term bond payable	–	300,000	–	300,000
	94,983	340,000	–	472,000

Amounts payable after one year

	As at 31 December 2013		As at 31 December 2012	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	–	2,831,468	–	1,672,212
Loan from government	–	6,364	–	7,273
RMB bond	–	250,000	–	–
	–	3,087,832	–	1,679,485

Details of collateral

As at 31 December 2013, the Group had a short-term loan of approximately RMB95 million secured by pledged fixed deposits. As at 31 December 2012, the Group had no secured loans.

(III) Prospects

The Company expects the selling prices of urea to remain at a low level due to over-capacity in the industry and coal prices are likely to remain stable.

The Production Plant IV has commenced production and the annual urea production capacity of the Group has reached approximately 2.1 million tons. The new technology employed at Production Plant IV will enable the Group to further improve cost efficiency and strengthen the Group's position as one of the industry leaders in PRC.

(IV) Proposed Final Dividend

The Board recommended the payment of a final dividend of RMB6.00 cents per share for the year ended 31 December 2013 (the "**Proposed Final Dividend**") (2012: RMB6.30 cents per share), subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

(V) Supplementary Information

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

For the year ended 31 December 2013, 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 relates to the Group's long-term debt obligations which are subject to floating interest rates.

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by approximately 2.6% in the year ended 31 December 2013 as compared with an increase of approximately 2.6% in 2012. 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 2013, approximately RMB435 million (31 December 2012: RMB472 million), or approximately 12.3% (31 December 2012: 21.9%) 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 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 during the years ended 31 December 2013 and 2012. The gearing ratio of the Group (calculated as net debt divided by total capital plus net debt) increased from approximately 50.8% as at 31 December 2012 to approximately 61.9% as at 31 December 2013.

3. Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities (2012: Nil).

4. Material Litigation and Arbitration

As at 31 December 2013, the Group was not involved in any litigation or arbitration.

Biographies of Board of Directors and Senior Management

▲Mr. ONG Kian Guan ▲Mr. LIAN Jie ▲Ms. YAN Yunhua ▲Mr. LIU Xingxu ▲Mr. LI Buwen ▲Mr. ONG Wei Jin ▲Mr. LI Shengxiao

Board of Directors

Executive Directors

Mr. LIU Xingxu Chairman of the Board and Chief Executive Officer

Aged 59, 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. He is also a member of the NC. Mr. Liu has nearly 20 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 Fertiliser 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 the 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 Committee of Henan Province and Personnel Bureau of Henan Province for his 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 Labour 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. Mr. Liu is the controlling shareholder and a director of Pioneer Top Holdings Limited, a substantial Shareholder.

Ms. YAN Yunhua Chief Financial Officer

Aged 43, 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 Jiaotong 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 nearly 20 years of accounting and finance experience. Ms. Yan is currently the executive chairman of the Finance Research Committee of China Nitrogen Fertiliser Industry Association and the vice chairman of Henan Accountants Association. She joined Xinxiang Fertiliser Factory in December 1997 and held various positions in Xinxiang Fertiliser 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 the PRC in 2008, and Advanced Worker in Accounting of Henan Province in 2009. Ms. Yan is the controlling shareholder and a director of Go Power Investments Limited, a substantial Shareholder.

Mr. LI Buwen

Aged 61, 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 Fertiliser Factory, including the deputy head of Xinxiang Fertiliser 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 from July 2006 to June 2012. Mr. Li obtained certification of National Enterprises Human Resource Management and Development from the State Economic and Trade Commission Economic Cadre Training Centre and certification of Internal Quality System Inspector from the Beijing Quality Association Quality Management Technical Services Centre 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 39, 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 the PRC. Mr. Lian currently is an independent non-executive director of Bona Film Group Limited (a company listed on NASDAQ Global Market) and has been appointed as an independent non-executive director of Bosideng International Holdings Limited (a company listed on the Hong Kong Stock Exchange) with effect from 10 July 2013. 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 at The Goldman Sachs Group, Inc., including as a Managing Director of Hong Kong Investment Banking Division during 2001 to 2009. Mr. Lian owns a Master of Business Administration degree of Tuck School of Business at Dartmouth College. Nitro Capital Limited (a substantial Shareholder) is wholly owned by Primavera Capital (Cayman) Fund I L.P., which in turn is within Primavera Capital Group.

Independent Non-executive Directors

Mr. ONG Kian Guan

Aged 46, has been appointed as our independent non-executive Director since 11 May 2007. He is also the chairman of the AC and a member of both the RC and the NC. He is a practising member and a fellow of the Institute of Singapore Chartered Accountants (formerly the "Institute of Certified Public Accountants of Singapore") (the "**ISCA**"), and also a partner with Baker Tilly TFW LLP. Mr. Ong was also a member of the auditing and assurance standards committee of the ISCA. He has more than 20 years of professional experience in financial audits of multinational corporations and public listed companies from diverse industries. He is currently an independent director of the following companies listed on the SGX-ST: China Haida Ltd., Weiye Holdings Limited and Asia Fashion Holdings Limited (appointed on 31 July 2013). He is also an independent director of China Animal Healthcare Ltd. (a company listed on the Hong Kong Stock Exchange and delisted from the SGX-ST with effect from 29 August 2013). Mr. Ong graduated from the Nanyang Technological University in Singapore with a bachelor of accountancy degree in May 1992. Mr. Ong was appointed as our lead independent non-executive Director because the Singapore Code of Corporate Governance (the "**Singapore CG 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 CG 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 51, has been appointed as our independent non-executive Director since 11 May 2007. He is also the chairman of the NC and a member of both the AC and the RC. Mr. Li has been a professor in Shaoxing University since 2004. With effect from 20 November 2013, he has resigned as the Dean of School of Economics and Management in Shaoxing University and the deputy secretary of the party general branch. He is currently the Head of Regional Development Research Centre（區域發展研究中心）of Shaoxing University. Mr. Li has been the instructor of establishment of small and medium enterprises in Zhejiang Province, Small and Medium Enterprises Bureau in Zhejiang Province since 2006. Mr. Li is also an independent director of Anhui Jiangnan Chemical Industry Co., Ltd., a company listed on the Shenzhen Stock Exchange. Mr. Li graduated from Hangzhou University (which is currently known as "Zhejiang University") 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 the "high school outstanding youth teacher of Zhejiang Province" in September 1991.

Mr. ONG Wei Jin

Aged 47, has been appointed as our independent non-executive Director since 11 May 2007. He is also the chairman of the RC and a member of both the AC and the NC. He is a partner in Harry Elias Partnership LLP (a Singapore law firm). He is currently an independent director of the following companies listed on the SGX-ST: Luzhou Bio-chem Technology Limited and CFM Holdings Limited (appointed on 7 January 2014). He was also an independent director of Consciencefood Holding Limited (delisted from the SGX-ST with effect from 5 February 2014). Mr. Ong obtained a Bachelor of Laws degree from the National University of Singapore in 1990, a Master of Business Administration degree from University of Hull in 1993, and a Master of Laws degree from the National University of Singapore in 1995.

Senior Management

Mr. ZHANG Qingjin

Aged 47, has been the executive deputy general manager of Henan XLX Fertiliser since July 2011, and was the deputy general manager in charge of human resources department of Henan XLX Fertiliser since November 2006. He has over 20 years of experience in the chemical fertiliser industry. Mr. Zhang joined Xinxiang Fertiliser 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 Fertiliser 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 57, 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 Fertiliser Factory in 1974 and held various positions including assistant to head of Xinxiang Fertiliser Factory, deputy head of Xinxiang Fertiliser Factory and head of nitrogen fertiliser plant of Xinxiang Fertiliser 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 53, is the deputy general manager in charge of the research and development department of Henan XLX Fertiliser since 31 July 2006. Mr. Li has more than 30 years of experience in the chemical fertiliser industry. He joined Xinxiang Fertiliser Factory in August 1982 and was appointed as the deputy factory head of Xinxiang Fertiliser 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 50, 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 Fertiliser Factory, including the office head of nitrogen fertiliser plant of Xinxiang Fertiliser Factory from March 1993 and the deputy head and assistant to head of Xinxiang Fertiliser 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 University of Finance and Economics in June 2002.

Mr. ZHAO Lianzi

Aged 51, has been the deputy general manager in charge of marketing and strategy department of Henan XLX Fertiliser since February 2012. He has more than 15 years of experience in the chemical fertiliser industry. He held various positions in the Company, including the deputy head of Xinxiang Fertiliser Factory from February 1999 to August 2000. He was the general manager of 河南新新化肥股份有限公司 from August 2000 to December 2003, the general manager of 河南心連心化肥有限公司複合肥分公司 from December 2003 to July 2010, and the assistant to general manager of Henan XLX Fertiliser from July 2010 to February 2012. Mr. Zhao obtained a certificate of completion in master's course of business administration from Tianjin University of Finance and Economics in June 2002. In 2007, he completed EDP (Executive Development Programs) courses from Guanghua School of Management, Peking University.

Joint Company Secretaries

Ms. SOON Yuk Tai

Aged 47, has been appointed as one of the joint company secretaries of the Company since 1 September 2012. Ms. Soon is a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. She is a Chartered Secretary and a fellow of both The Institute of Chartered Secretaries & Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. Ms. Soon has extensive experience in a diversified range of corporate services and has been providing professional services to a number of companies listed on the Main Board and the Growth Enterprise Market of the Hong Kong Stock Exchange.

Mr. TEO Meng Keong

Aged 45, has been appointed as one of the joint company secretaries of the Company since 1 September 2012. Mr. Teo is a Senior Manager at Tricor Evatthouse Corporate Services and has over 16 years of experience in corporate secretarial practice and business consultancy. His area of exposure includes advisory and assistance in compliance matters of both public and private limited companies, business advisory to foreign investors including application of various licences to expedite setting up of businesses.

Investor Relations

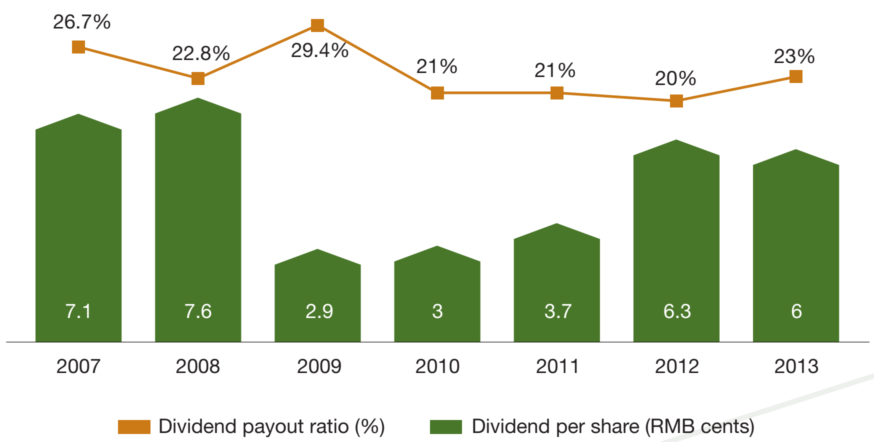
During 2013, the Company continued to strengthen its efforts in investor relations, so as to serve as a bridge for effective communication between the Company and the capital market. The Company also listens attentively to various suggestions and proposals from the capital market with regards to the 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 maximise their interests.

Robust Share Price Performance amid Production Capacity Expansion

During 2013, the Company continued to communicate its future story of growth with the capital market and share its understanding and expectation on the industry and the market through various communication channels including results announcement conference, press conference, stock commentator luncheon, one-on-one investor meetings, investor forums and non-deal roadshows organized by investment banks. With sufficient information exchange with investors and analysts, it enabled a comprehensive understanding of the Company's development prospects and managed expectation of capital market in a timely and effective manner. In the fourth quarter of 2013, the Group's fourth production plant, which is located at the northern and eastern side of Qinglong Road, Xinxiang Economic and Development Zone, Xinxiang City, Henan Province, delivered a successful commissioning at the first attempt, upon which, the Company's annual production capacity of urea increased by 64%, which meant a jump to over 2,000,000 tons and allowed the Company to become the largest urea production installation in China. Following the corporate expansion, cost efficiency became apparent, thus helping the Company's 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 are still keeping the dividend payout ratio at 20% or above.



Enhancing Investor Relations Management System

The Company has been committed to establishing a highly efficient and well-organised 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 realise the IR information sharing. All industry updates and relevant internal 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 major information disclosure. The Company also further upgraded the investor database with the support of its established investor relations management platform (consisting of the investor relations website for the public and the Investor Relations Information Management System for internal users), thus standardising and systematising the major work on investor relations, including investor meeting scheduling, investor information collection and classification as well as investor shareholding analysis.

Facilitating Diversified and Multi-channelled Investor Activities

The Company communicated its development philosophy and strategies, latest news and operation results in the capital market in a timely manner through various investor communication channels, including analyst briefings, non-deal roadshows, investor forums organised by investment banks, telephone conferences, emails, and investors’ onsite 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 in various investor relations activities. During 2013, the Company’s senior management including the Chairman and the Chief Financial Officer participated in plenty of investor activities to fully communicate with the capital market, which realised multi-channelled communications. In 2013, the Company hosted a series of results announcement conferences, including analyst briefing, press conference and stock commentator luncheon, following each quarterly results announcement. It also attended various investor forums sponsored by major investment banks and fund managers, and conducted hundreds of one-on-one meetings and conference calls in the usual courses. We have facilitated communications with a number of investors and analysts for the past year. On the other hand, we strengthened our efforts on arrangement of investors’ onsite visits, and arranged over twenty plant visits to the headquarters of the Group in 2013 and also a delegation of analysts to visit the Company’s second production base located at Xinjiang in September, so as to gradually give investors and analysts a better idea of the operations of the Group.

Investor relations activities in 2013

Date	Event	Location
November 2013	2013 3Q Results Press Conference • Analyst Briefing • Press Conference • Stock Commentator Luncheon	Hong Kong
August 2013	2013 Interim Results Press Conference • Analyst Briefing • Press Conference • Stock Commentator Luncheon	Hong Kong
July 2013	Summit Investment Forum 2013	Shenzhen
June 2013	Standard Chartered's 2013 Earth's Resources Forum	Hong Kong
May 2013	HSBC China Discovery Forum	Hong Kong
May 2013	CLSA China Forum	Beijing
April 2013	2013 1Q Results Press Conference • Analyst Briefing • Press Conference • Stock Commentator Luncheon	Hong Kong
April 2013	Annual General Meeting	Singapore
February 2013	2012 Annual Results Press Conference • Analyst Briefing • Press Conference • Stock Commentator Luncheon	Hong Kong

Corporate Governance Report

The Company is committed to achieving and maintaining a high standard of corporate governance principles and processes in managing the business and affairs, so as to improve the performance, accountability, and transparency of the Group.

During the year under review, the Board has reviewed its corporate governance practices and considered that except for Guideline 3.1 of the Singapore CG Code (as defined below) and the code provision A.2.1 of the HK CG Code, the Company has complied with all (i) the applicable code provisions of the Code of Corporate Governance 2012 (the "**Singapore CG Code**") issued by the Council on Corporate Disclosure and Governance, Singapore; (ii) the rules in the Listing Manual; and (iii) code provisions in the HK CG Code as set out in Appendix 14 to the Listing Rules. 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 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. Details of the foregoing deviation are also set out below.

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 long-term success of the company. The board works with management to achieve this objective and the management remains accountable to the board.

The Board comprises seven Directors: three executive Directors, one non-executive Director and three independent non-executive Directors, having the appropriate mix of core competence and diversity of experience to direct and lead the Company. The Board members are as follows:

Mr. Liu Xingxu	(Chairman of the Board, Chief Executive Officer 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 taking leadership and control of the Company to protect and enhance long-term Shareholders' value. It sets the corporate strategies of the Group, and 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.

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 and the management. Each executive Director 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 established an internal framework to ensure that the type of material transactions that required Board's approval is consistently applied throughout the Group. Matters requiring Board's approval include:

i. Overall Group business and budget strategy
ii. Capital expenditures, investments or divestments exceeding certain material limits
iii. All capital-related matters including capital issuance and redemption
iv. Significant policies governing the operations of the Company
v. Corporate strategic development and restructuring
vi. Risk management strategy
vii. Any major corporate activities involving changes in shareholders' rights & risk profile

For each newly appointed Director, he/she will receive a comprehensive and formal induction covering the Company's business operation, policies and procedures as well as the statutory and regulatory obligations of being a Director to ensure that he/she has a proper understanding to the Company and is fully aware of his/her responsibilities and obligations of being a Director.

From time to time, Directors are regularly updated with the latest professional developments in relation to the Listing Rules, the Listing Manual and other applicable regulatory updates, like amendments to laws, rules and regulations, to ensure the compliance of the same by all Directors. In addition, the Directors have continuously participated in appropriate professional development activities such as attending internal sessions in relation to the corporate governance policies and reading materials in relation to the regulatory updates to develop and refresh their knowledge and skills. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2013, all Directors received regular briefings and updates from the Company Secretaries on salient laws and regulations applicable to the Group. Reading materials relevant to Directors' duties and responsibilities are also provided to Directors for their studying and reference. In addition, Mr. Lian Jie attended a seminar organized by a professional firm.

The Board has formed specialised committees namely the AC, NC and 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 general meetings held and meetings held for the Board and the Committees for the financial year ended 31 December 2013 and the attendance of the Directors/members of the Committees in these meetings:

	Annual General Meeting	Extraordinary General Meeting	Board	Audit Committee	Remuneration Committee	Nomination Committee
No. of meetings held	1	1	7	4	2	2
Attendance:						
Mr. Liu Xingxu	1	1	7	N.A.	N.A.	2
Ms. Yan Yunhua	1	1	7	N.A.	N.A.	N.A.
Mr. Li Buwen	1	1	7	N.A.	N.A.	N.A.
Mr. Lian Jie	1	1	7	N.A.	N.A.	N.A.
Mr. Ong Kian Guan	1	1	6	4	2	1 (Note)
Mr. Li Shengxiao	1	1	7	4	2	2
Mr. Ong Wei Jin	1	1	7	4	2	2

Note: Mr. Ong Kian Guan was appointed as a NC member on 26 February 2013. Subsequent to his appointment, there was 1 NC meeting held during the year ended 31 December 2013.

In addition, the Chairman of the Board held a meeting with the non-executive Director and the independent non-executive Directors without the presence of executive Directors during the year under review.

While the Board considers Directors' attendance at Board and Committee 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, and provision of guidance and advice on various matters relating to the Group.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the HK CG Code. The Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to Directors and employees, and the Company's compliance with the Singapore CG Code and the HK CG Code and disclosure in this Corporate Governance Report.

Board Composition and Guidance

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 and 10% shareholders ("10% shareholder" refers to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company). No individual or small group of individuals should be allowed to dominate the board's decision making.

As set out above, the Board consists of seven Directors, three of whom 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 independent element, and collectively possess the necessary core competence for effective functioning and informed decision-making.

For the year ended 31 December 2013, the Board has at all times complied with the requirements of the Listing Rules of having three independent non-executive Directors, representing more than one-third of the Board, and one of the independent non-executive Directors has appropriate professional qualifications, accounting and related financial management expertise. The Company has received from its independent non-executive Directors their annual confirmation of independence pursuant to the Singapore CG Code and Rule 3.13 of the Listing Rules and the Company still considers all of them to be independent.

There is no relationship (including financial, business, family and other material relationships) among members of the Board. Key information regarding the Directors is given in the "Biographies of Board of Directors and Senior Management" on pages 34 to 37 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 59 to 68 of this annual report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Liu Xingxu has been the Chairman of the Board and the Chief Executive Officer since the incorporation of the Company. He is in charge of the Group's overall strategic directions and manages the day-to-day business operations. This deviates from Guideline 3.1 of the Singapore CG Code and code provision A.2.1 of the HK CG Code which require that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. However, the Board considers such structure beneficial to the Group as the Board believes that Mr. Liu Xingxu, who has extensive experience in the industry, can provide the Company with strong and consistent leadership and visions and also allows for effective and efficient planning and implementation of business decisions and strategies. He can also ensure timeliness of information flow between the Board and management.

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

Pursuant to Guideline 3.3 of the Singapore CG Code, a company should appoint an independent director to be the lead independent director where its Chairman and Chief Executive Officer is the same person. To comply with this requirement, Mr. Ong Kian Guan has been appointed as the lead independent non-executive Director.

Board Membership

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

The Company has established the NC which oversees matters relating to the Board composition and appointment/re-appointment of Directors. The NC comprises the following four members, the majority of whom are independent non-executive Directors.

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

The NC's main functions under its terms of reference include:

(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 candor);

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

(c) to review the structure, size and composition (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board and where appropriate, make recommendations to the Board on the proposed changes to complement the Company's corporate strategy;

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

(e) to decide how the Board, its Committees and Directors' performance may be evaluated and propose objective performance criteria. Such performance criteria, as approved by the Board, allows comparison with its industry peers, and addresses how the Board has enhanced long-term Shareholders' value.

Each of the executive Directors has entered into a service contract with the Company whereas the Company has issued a letter of appointment to each of the independent non-executive Directors and the non-executive Director. All Directors are appointed for a specific term of 3 years.

In assessing the Board composition, the NC would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The NC would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. The NC considered an appropriate balance of diversity perspectives of the Board is maintained.

The Company has also in place policies and procedures for the appointment of new Directors to the Board, including a search and nomination process. In considering the appointment of a new Director, the NC may make reference to certain criteria such as integrity, skills, experience, time commitments, independence (where appropriate) of the candidate. The Articles has also stated clearly the procedures for the appointment of new Directors, and re-election and removal of Directors. The Articles require one-third of the Board to retire from office at each AGM such that the Directors shall retire at least once every three years; and a retiring director shall be eligible for re-election at the AGM. Pursuant to the said provision in the Articles, Ms. Yan Yunhua, Mr. Li Buwen and Mr. Li Shengxiao will retire and, being eligible, offer themselves for re-election at the forthcoming 2014 AGM.

Table for appointment and re-election

Name of Directors	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Mr. Liu Xingxu	26/07/2006	26/04/2013	Chairman of the Board and Chief Executive Officer	1. Member of Nomination Committee	–
Ms. Yan Yunhua	10/11/2006	27/04/2012	Executive Director and Chief Financial Officer	–	–
Mr. Li Buwen	10/11/2006	27/04/2012	Executive Director	–	–
Mr. Ong Kian Guan	11/05/2007	26/04/2013	Lead Independent Non-executive Director	1. Chairman of Audit Committee 2. Member of Nomination and Remuneration Committees	1. China Haida Ltd. 2. Weiye Holdings Limited 3. China Animal Healthcare Ltd 4. Asia Fashion Holdings Limited
Mr. Li Shengxiao	11/05/2007	26/04/2011	Independent Non-executive Director	1. Chairman of Nomination Committee 2. Member of Audit and Remuneration Committees	1. Anhui Jiangnan Chemical Industry Co., Ltd.

Name of Directors	Date of first appointment	Date of last re-election	Nature of appointment	Membership of Board Committee	Directorship/ Chairmanship both present and those held over the preceding three years in other listed company
Mr. Ong Wei Jin	11/05/2007	26/04/2013	Independent Non-executive Director	1. Chairman of Remuneration Committee 2. Member of Audit and Nomination Committees	1. Luzhou Bio-chem Technology Limited 2. CFM Holdings Limited
Mr. Lian Jie	21/12/2011	27/04/2012	Non-executive Director	–	1. Bona Film Group Limited 2. Bosideng International Holdings Limited

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees 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 established and implemented processes including taking into consideration the attendance records at the meetings of the Board and the Committees for monitoring and evaluating the performance of the Board as a whole and effectiveness and contribution of individual Directors. At the same time, the processes also identify weaker areas where improvements can be made. The Board and individual Directors can direct more effort in such areas for enhancing the effectiveness of the Board and the performance of individual Directors.

The Directors shall disclose to the Company details of other significant offices held by them. Where a Director has multiple directorships, 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. For the year ended 31 December 2013, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

To address the competing time commitments that are faced by the Directors who are served on multiple boards, the Board has determined the number of board representation that each Director is allowed to hold is as follows:

i. directors without other executive roles – 6
ii. directors with other executive roles – 4

During the year ended 31 December 2013, the NC held two meetings. Details of individual attendance of each member at the meeting are set out on page 43. At the said meetings, the NC: (i) evaluated the performance of the Board as a whole and each Director; (ii) considered and recommended the re-election of the retiring Directors at the 2013 AGM; (iii) assessed the independence of independent non-executive Directors; and (iv) adopted the Board diversity policy and the revised terms of reference of the NC.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognizant 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 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 and/or his/her representative(s) attend(s) all Board meetings and meetings of the Committees to ensure that Board procedures are followed and applicable rules and regulations are complied with. Draft minutes of meetings of the Board and the Committees are circulated to Directors and the Committees members, as the case may be, for comments within a reasonable time after each meeting and the final version is available for Directors' inspection.

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 ("**RC TORs**") since July 2007. The revised RC TORs was approved and adopted by the Board on 26 April 2013. The RC comprises the following three members, all of whom are independent non-executive Directors.

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

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 own remuneration package.

The RC's main functions under its terms of reference include:

(a) to recommend to the Board a framework of remuneration for the Directors and senior management, and the remuneration packages for Directors and senior management;

(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 an aim to maintain fairness and to 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 and key executives 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.

During the year ended 31 December 2013, the RC held two meetings. Details of individual attendance of each member at the meeting are set out on page 43. At the said meetings, the RC reviewed the remuneration framework for Directors, key executives and the immediate family members of the Directors by reference to the Group's performance and profitability as well as the remuneration level of some listed corporations in our industry.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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 the executive Directors' employment.

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 remuneration table for the Directors of the Group for the financial year ended 31 December 2013 is set out below:

	Amount to nearest S$'000	Salary %	Bonus %	Directors' fees %	Total remuneration %
Mr. Liu Xingxu	535	34.7	65.3	–	100
Ms. Yan Yunhua	406	36.6	63.4	–	100
Mr. Li Buwen	406	36.6	63.4	–	100
Mr. Ong Kian Guan	60	–	–	100	100
Mr. Li Shengxiao	50	–	–	100	100
Mr. Ong Wei Jin	50	–	–	100	100
Mr. Lian Jie	–	–	–	–	–

The summary remuneration table for senior management and the top five key executives of the Group (who are not Directors) for the financial year ended 31 December 2013 is set out below:

	Salary %	Bonus %	Total remuneration %
S$500,000 and above	–	–	–
S$250,000 to S$499,999	–	–	–
Below S$250,000 (Top five key executive)			
Mr. Yao Jie (Top five key executive)	100	–	100
Mr. Zhang Qingjin (Senior management and top five key executive)	32.8	67.2	100
Mr. Ru Zhengtao (Senior management and top five key executive)	31.3	68.7	100
Mr. Li Yushun (Senior management and top five key executive)	32.2	67.8	100
Mr. Wang Nairen (Senior management and top five key executive)	30.8	69.2	100
Mr. Zhao Lianzi (Senior management)	68.9	31.1	100

Apart from the above, the remuneration of Mr. Li Hao (spouse of Ms. Yan Yunhua, an executive Director), who is the Company's Head of Purchasing Department, for the year ended 31 December 2013 was within the band of S$50,000.

Immediate Family Member of Directors or Substantial Shareholders

No employee of the Company and its subsidiaries, who is an immediate family member of a Director and/or a substantial Shareholder, have received remuneration exceeding S$50,000 during the financial year ended 31 December 2013.

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 and the Listing Rules.

Price sensitive information will be publicly released before the Company's disclosure of any of such information to any group of investors or analysts. Financial results and reports will be announced or issued within the prescribed periods under the statutory or regulatory requirement.

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 Group's ability to continue as a going concern.

The statement of the auditor of the Company about their reporting responsibilities on the 2013 financial statements of the Group is set out in "Independent Auditor's Report" on pages 70 to 71 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 being independent non-executive Directors:

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

The AC's main functions under its terms of reference include:

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

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

iii. making recommendations to the Board on the proposals to the Shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

iv. reviewing the independence and objectivity of the external auditor;

v. reviewing the interested person transactions (within the definition of the Listing Manual)/continuing connected transactions (within the definition of the Listing Rules);

vi. reviewing the effectiveness and adequacy of the internal accounting and financial controls procedures, internal controls system and risk management system;

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

viii. reviewing the effectiveness of the Company's internal audit function and consider the appointment and termination of our internal auditor.

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 on any resolutions in which he has interest.

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 auditor of the Company. The AC reviews the independence of the external auditor annually. The AC, having reviewed the range and value of non-audit services performed by the external auditor, Ernst & Young LLP, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor. The AC recommended that Ernst & Young LLP be nominated for re-appointment as auditor at the forthcoming 2014 AGM. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditor.

During the year under review, the Company has paid approximately S$272,000 (2012: approximately S$330,000) and approximately S$13,000 (2012: approximately S$19,000) to the external auditor of the Company and other auditors, respectively, for their audit services, and has paid an aggregate of approximately S$31,000 (2012: approximately S$100,000) to other auditors for their other non-audit professional services such as reviewing of the Company's internal control system.

The Company has in place a whistle-blowing policy for employees of the Group to raise concerns about improprieties. The AC constantly receives updates from the external auditor pertaining to the latest changes to the accounting standards and issues which have a direct impact on financial statements. During the year ended 31 December 2013, the AC held four meetings with the presence of the external auditor. Details of individual attendance of each member at the meeting are set out on page 43. The AC has performed the following major works during the year ended 31 December 2013:

(a) Review and discussion of the annual report and accounts for the year ended 31 December 2012, and the related accounting principles and practices adopted by the Group;

(b) Review and discussion of the internal control system;

(c) Review of the whistle-blowing policy and the concerns raised, if any;

(d) Review and discussion of the interested person transactions (including the continuing connected transactions) of the Company for the year ended 31 December 2013;

(e) Review of the independence of the external auditor and recommendation of its re-appointment at the Company's 2013 AGM;

(f) Review and discussion of the accounts for the first quarter ended 31 March 2013 and the third quarter ended 30 September 2013, respectively, and the related accounting principles and practices adopted by the Group;

(g) Review and discussion of the half-year report and accounts for the six months ended 30 June 2013, and the related accounting principles and practices adopted by the Group;

(h) Review and discussion of the internal audit reports;

(i) Discussion of the nature, plan and scope of the Group's audit for the year ended 31 December 2013; and

(j) Adoption of the revised terms of reference of the AC.

Internal Controls

Principle 12: The board is responsible for the governance of risk. The board should ensure the management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

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.

Based on the reports submitted by the external and internal auditors and the various management controls put in place, the Board has conducted a review of the effectiveness of the internal control systems of the Group and, with the concurrence of the AC, is satisfied that the internal control system maintained by the Group's management throughout the financial year ended 31 December 2013 is adequate to address the financial, operational and compliance risks pursuant to Rule 1207(10) of the Listing Manual.

Furthermore, the Board has also received assurance from the CEO and Chief Financial Officer on the following:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the effectiveness of the Company's risk management and internal control systems.

Internal Audit

Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

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 auditor's and external auditor's reports and the internal controls in place, and is satisfied that there are adequate internal controls in the Company.

In compliance with the HK CG Code, the Board with the concurrence of the AC is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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 on pages 32 to 33 of the Annual Report.

Communication with Shareholders/Investors and Investor Relations

Communication with Shareholders/Investors

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, 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) Announcements, financial reports, circulars and news release published on the websites of SGX-ST and SEHK;

(b) Financial reports prepared and issued to all Shareholders;

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

(d) Notices of and explanatory memoranda for AGM and EGM; and

(e) Company's website at http://www.chinaxlx.com.hk at which Shareholders can access information on the Group, and roadshows organised by banks and plant visits.

The Company's general meetings 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 auditor shall also be present at AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

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 general meeting will be advertised in newspapers and published on the websites of the SGX-ST, SEHK and the Company.

To safeguard Shareholders' interests and rights, a separate resolution shall be proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company, SEHK and SGX-ST after each Shareholders' meeting.

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 47 of the Company's Articles, the Directors may whenever they think fit, and shall on requisition in accordance with the statute, proceed with proper expedition to convene an EGM.

Pursuant to the Companies Act:

(a) Shareholders holding 10% or more of the paid-up capital of the Company which carries the right to vote at general meetings as at the date of the deposit of the requisition, may requisition the Board to convene an EGM. The written requisition must specify the objects of the meeting, signed by the Shareholders concerned and be deposited at the registered office of the Company for the attention of the Board or the Company Secretary.

(b) The Board shall proceed to convene an EGM within 21 days of the deposit of such written requisition. Such EGM shall be held within 2 months after the deposit of such written requisition.

(c) If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene an EGM, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by Directors convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from that date.

Putting Forward Proposals at General Meetings

In general, subject to the paragraph below, no resolution may be proposed at a Shareholders' meeting (whether it is an EGM or an AGM) if such resolution is not included in the notice convening the general meeting. However, if the proposal is to amend an existing resolution set out in the notice convening the general meeting and such amendment is within the scope of the notice, such amendment may be made if approved by the Shareholders by ordinary resolution.

On the requisition in writing of (i) either any number of shareholders representing not less than 5% of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition related, or (ii) not less than 100 Shareholders on which there has been paid up an average sum, per Shareholder, of not less than S$500, the Company shall be under a duty to:

(a) give to Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) circulate to Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company. The requisition shall be deposited at the registered office of the Company at least six weeks before the meeting.

Investor Relations

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send their enquiries to the following:

Address: Unit 301, Level 3, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, Sheung Wan, Hong Kong
(For the attention of the Head of Investor Relations)
Fax: +852 2521 9955
Email: weiwei.zhu@chinaxlx.com.hk

During the year under review, the Company has not made any changes to the Articles. An up-to-date version of the Articles is also available on the Company's website and the SEHK's website. Shareholders may refer to the Articles for further details of the rights of Shareholders.

Company Secretary

Mr. Teo Meng Keong of Tricor Evatthouse Corporate Services (a division of Tricor Singapore Pte. Ltd.) and Ms. Soon Yuk Tai of Tricor Services Limited, both of which companies being external service providers, have been engaged by the Company as its joint Company Secretaries. Their primary contact persons at the Company are Ms. Yan Yunhua, the Chief Financial Officer and an executive Director, and Mr. Zhu Weiwei, the Head of Investor Relations of the Company.

During the year under review, both of Mr. Teo and Ms. Soon have taken the requisite professional training pursuant to Rule 3.29 of the Listing Rules.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (as set out in Appendix 10 to the Listing Rules) and Rule 1207(19) of the Listing Manual (collectively the "**Model Code**") as its own code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all Directors, they have complied with the Model Code and throughout the year ended 31 December 2013.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**") regarding dealings in the Company's securities by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Pursuant to Rule 1207(19) of the Listing Manual, as part of the Company's Model Code and Employees Written Guidelines on dealings in the Company's securities: (1) the Company would remind in advance and prohibit its directors and/or senior executives from dealing in its own shares two weeks before the release of the first three quarters' results, and one month before the release of full-year results; and (2) the Company also reminds its directors and senior executives not to deal in the Company's securities on short-term considerations.

Interested Person Transactions Policy

The Company has adopted an internal policy in respect of any transactions with interested person (as defined in the 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 2013 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 of the Listing Manual)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)
	RMB'000	RMB'000
Henan Xinlianxin Chemicals Group Co., Ltd.	30,452	–

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 of China XLX Fertiliser Ltd. are pleased to present their report to the members together with the audited consolidated financial statements of the Company and its subsidiaries and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2013.

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.

Results and dividends

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 72 to 141 of this annual report.

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of RMB6.00 cents (2012: RMB6.30 cents) per share in respect of the year to shareholders of the Company on the register of members on 9 May 2014. 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 142 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 and convertible bonds during the year. Details of the Company's share capital and convertible bonds are set out in notes 35 and 32 to the financial statements, respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association 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.

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 on pages 75 and 76 of this annual report.

At 31 December 2013, the Company's reserves available for distribution, amounted to RMB61,007,000 of which RMB60,000,000 has been proposed as final dividend for the year.

Charitable contributions

During the year, the Group made charitable contributions totalling RMB2,617,000 (2012: RMB623,800).

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 20% (2012: less than 30%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 57% (2012: 43%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 21% (2012: 16%).

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 suppliers.

Directors

The Directors of the Company during the year are:

Executive Directors:

Liu Xingxu
Yan Yunhua
Li Buwen

Non-executive Director:

Lian Jie

Independent Non-executive Directors:

Ong Kian Guan
Li Shengxiao
Ong Wei Jin

In accordance with Article 89 of the Articles, Ms. Yan Yunhua, Mr. Li Buwen and Mr. Li Shengxiao will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from each of the independent non-executive Directors and considered 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 34 and 37 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, which were renewable automatically for successive terms of three years from 8 December 2012, 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 for a term of three years commencing from 8 December 2012, unless terminated by either party giving to the other not less than three months' prior notice in writing.

The current term of appointment of the non-executive Director commenced on 27 April 2012, being the date on which he was re-elected as a non-executive Director at the annual general meeting of the Company held on the same day, and will continue for a period not exceeding three years.

All the Directors are subject to retirement by rotation and re-election pursuant to the Articles.

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.

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 executives' interests and short positions in shares and underlying shares and debentures

As at 31 December 2013 and 21 January 2014, the interests of the Directors and chief executive of the Company in shares of the Company, as recorded in the register required to be kept by the Company pursuant to the Companies Act (Chapter 50) of Singapore (the "**Companies Act**"), the Listing Manual and Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**HK Model Code**") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions

	Number of ordinary shares interested			
Name of Directors	Personal interests	Corporate interests	Total interest	Percentage# of the Company's issued share capital
Mr. Liu Xingxu	600,000	350,794,000 (Note (a))	351,394,000	35.14%
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%

\# The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2013 and 21 January 2014.

Notes:

(a) These shares were held by Pioneer Top Holdings Limited ("**Pioneer Top**"). Mr. Liu Xingxu beneficially owned approximately 42% of the equity interest in Pioneer Top and held the remaining approximately 58% of the 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 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 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.

Save as disclosed above, as at 31 December 2013 and 21 January 2014, none of the Directors and chief executives 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 the Companies Act, the Listing Manual and Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the HK 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 and/or the Listing Manual.

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.

Substantial shareholders' interests in shares and underlying shares and debentures

As at 31 December 2013 and 21 January 2014, 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 the Companies Act, the Listing Manual and Section 336 of the SFO:

Long positions:

Name of substantial shareholders	Capacity	Number of issued ordinary shares interested	Number of underlying shares upon conversion of the convertible bonds	Total interest	Percentage of shares/ underlying shares over the Company's issued share capital
Pioneer Top (Note (a))	Beneficial owner	350,794,000	–	350,794,000	35.08%*
Go Power (Note (b))	Beneficial owner	297,734,000	–	297,734,000	29.77%*
Nitro Capital Limited ("**Nitro**") (Note (c))	Beneficial owner	–	176,000,000	176,000,000	14.97%**

* The percentage represents the number of issued ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2013 and 21 January 2014.

** The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2013 and 21 January 2014, as enlarged by the number of shares supposed to be issued after full conversion of the convertible bonds.

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 approximately 58% of the equity interest in Pioneer Top in trust for seven beneficiaries under a trust agreement, 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. This interest held by Pioneer Top has also been disclosed as the interest of Mr. Liu Xingxu in the above section headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures".

(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 a 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. This interest held by Go Power has also been disclosed as the interest of Ms. Yan Yunhua in the above section headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures".

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

Save as disclosed above, as at 31 December 2013 and 21 January 2014, no person, other than the Directors, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had an interest or a 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 the Companies Act, the Listing Manual and Section 336 of the SFO.

Continuing connected transactions

During the year, the Group had the following continuing connected transactions and has complied with the disclosure requirements of Chapter 14A of the Listing Rules and the Listing Manual.

Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen currently hold an aggregate of approximately 10.6% interest in Henan Xinlianxin Chemicals Group Co., Ltd. ("**XLX Chem**"), and are collectively the largest shareholder of 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 Manual in Singapore.

Non-exempt continuing connected transactions

(i) Utilities Supply Agreement

The Group entered into the Utilities Supply Agreement on 16 November 2012 with XLX Chem Group, pursuant to which the Group has agreed to supply water, electricity and steam to XLX Chem Group. The agreement has a term commencing from 16 November 2012 up to and including 31 December 2014. The Group has set the annual cap for the income received by the Group from XLX Chem Group under the agreement at RMB19,000,000 (approximately HK$23,618,140) for the financial year ended 31 December 2013.

For the year ended 31 December 2013, the aggregate amount received by the Group from XLX Chem Group amounted to RMB2,655,000 and has been accounted for as other income in the Group's consolidated statement of comprehensive income.

(ii) Equipment Purchase Agreement

The Group entered into the Equipment Purchase Agreement on 16 November 2012 with XLX Chem Group, pursuant to which XLX Chem Group has agreed to supply equipment, including pipes, containers and high-pressure containers, to the Group for production. The agreement has a term commencing from 16 November 2012 up to and including 31 December 2014. The Group has set the annual cap for the amount paid by the Group to XLX Chem Group for purchases of equipment under the agreement at RMB23,000,000 (approximately HK$29,210,000) for the financial year ended 31 December 2013.

For the year ended 31 December 2013, the aggregate amount paid by the Group for the sourcing of equipment was RMB16,924,000 which has been included in spare parts inventories in the consolidated statement of financial position.

(iii) Lifting Services Agreement

The Group entered into the Lifting Services Agreement on 16 November 2012 with XLX Chem Group, pursuant to which XLX Chem Group has agreed to provide machinery and equipment (on an as-needed basis) to be used for providing lifting services to the Group for the production operations. The agreement has a term commencing from 16 November 2012 up to and including 31 December 2014. The Group has set the annual cap for the service expenses paid by the Group to XLX Chem Group under the agreement at RMB8,000,000 (approximately HK$9,944,480) for the financial year ended 31 December 2013.

The service expenses paid by the Group to XLX Chem Group under this agreement amounted to approximately RMB4,602,000 for the year ended 31 December 2013 and have been accounted for as cost of sales in the consolidated statement of comprehensive income.

(iv) Accommodation and Catering Agreements

The Group entered into the General Accommodation and Catering Services Agreement on 16 November 2012 with an associate of XLX Chem Group, pursuant to which the associate of XLX Chem Group has agreed to provide accommodation and catering services to the Group for general staff and guests located in Kokichi Town, Xinjiang City of Henan Province. On the same day, the Group also entered into the Training Accommodation and Catering Agreement with XLX Chem Group, pursuant to which XLX Chem Group has agreed to provide accommodation and catering services to the Group for its staff undergoing training in Huixian City of Henan Province. These agreements have a term commencing from 16 November 2012 up to and including 31 December 2014. The Group has set the annual cap for the service expenses paid by the Group under these agreements at RMB12,000,000 (approximately HK$14,916,720) for the financial year ended 31 December 2013.

The service expenses paid by the Group under these agreements amounted to approximately RMB5,032,000 for the year ended 31 December 2013 and have been accounted for as general and administrative expenses in the consolidated statement of comprehensive income.

(v) General Lease Agreement

The Group entered into the General Lease Agreement on 21 August 2013 with XLX Chem Group, pursuant to which XLX Chem Group has agreed to lease certain living quarters with an aggregate area of 138,134.89 square meters located at XLX Chem West Courtyard Living Quarters, Xiaoji Town, Xinxiang City, Henan, China (中國河南新鄉市小冀鎮心連心化工西院生活區) to Henan XLX. The living quarters include industrial kitchens, canteens, staff dormitories, warehouses and apartments for general staff of Henan XLX. The General Lease Agreement has a term commencing with effect from 19 August 2013 up to including 18 August 2016. The Group has set the fixed monthly lease of RMB186,600 in respect of the General Lease Agreement.

The lease paid by the Group under these agreements amounted to approximately RMB1,066,000 for the year ended 31 December 2013 and have been accounted for as general and administrative expenses in the consolidated statement of comprehensive income.

The independent non-executive Directors of the Company 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 to or from independent third parties; and

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

Ernst & Young LLP, the Company's auditor, 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* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued an 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 auditor's letter has been provided by the Company to the SEHK.

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.

Short-term bond payable

Details of the short-term bond payable of the Group are set out in note 31 to the financial statements.

Corporate governance

The Company is committed to maintaining a high 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 41 to 58 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 and at least 10% of the Company's total issued share capital was held by the public in Singapore as at the date of this report.

Responsibility of Directors on financial statements

The Companies Act requires the Directors to prepare financial statements for each financial year. These 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.

Employees and remuneration policy

As at 31 December 2013, there were 5,026 (2012: 4,073) 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.

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 auditor's 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 auditor's 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 auditor;
- Meets with the external auditor, 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 auditor;
- Reviews the nature and extent of non-audit services provided by the external auditor;
- Recommends to the board of directors the external auditor to be nominated, approves the compensation of the external auditor, 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 auditor of the Company, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. The attendance record, on a named basis, at these meetings is disclosed in the Corporate Governance Report. The AC has also met with the Company's internal and external auditors, without the presence of the Company's management, once during the year under review.

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as the auditor of the Company.

On behalf of the board of directors:

Liu Xingxu
Director

Yan Yunhua
Director

21 February 2014

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 2013 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
Director

Yan Yunhua
Director

21 February 2014

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 (collectively, the "**Group**") set out on pages 72 to 141, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity's preparation of 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.

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 2013 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
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore

21 February 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	6	3,968,946	3,945,584
Cost of sales		(3,221,247)	(3,225,942)
Gross profit		747,699	719,642
Other income and gains	6	26,302	29,080
Selling and distribution expenses		(82,242)	(69,462)
General and administrative expenses		(275,984)	(202,493)
Other expenses		(9,079)	(22,387)
Finance costs	8	(95,073)	(82,359)
PROFIT BEFORE TAX	7	311,623	372,021
Income tax expense	11	(52,230)	(61,020)
Profit for the year	12	259,393	311,001
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value	19	3,622	(1,004)
Reclassification adjustment for impairment loss included in profit or loss		–	1,004
OTHER COMPREHENSIVE INCOME FOR THE YEAR		3,622	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		263,015	311,001
Profit attributable to:			
Owners of the parent		264,052	311,121
Non-controlling interest		(4,659)	(120)
		259,393	311,001
Total comprehensive income attributable to:			
Owners of the parent		267,674	311,121
Non-controlling interest		(4,659)	(120)
		263,015	311,001
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents per share)	14	22.45	26.46

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

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	4,735,403	3,019,025
Prepaid land lease payments	16	171,446	175,290
Goodwill	17	6,950	6,950
Coal mining right	18	41,232	41,955
Available-for-sale investment	19	7,500	7,500
Deferred tax assets	33	8,663	4,706
Prepayments for purchases of items of plant and equipment	23	687,469	721,626
Total non-current assets		5,658,663	3,977,052
CURRENT ASSETS			
Due from a related company	25	1,907	1,760
Available-for-sale investment	19	8,323	4,701
Inventories	21	261,377	432,366
Trade receivables	22	9,572	15,520
Bills receivable	22	3,897	1,740
Prepayments	23	186,930	140,630
Deposits and other receivables	23	198,995	49,080
Income tax recoverable		26,446	3,858
Pledged deposits	24, 27	148,961	12,900
Cash and cash equivalents	24	797,813	477,610
Total current assets		1,644,221	1,140,165
Total assets		7,302,884	5,117,217

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Due to a related company	25	–	135
Trade payables	26	88,171	110,773
Bills payable	27	260,143	25,800
Accruals and other payables	28	829,368	422,437
Income tax payable		4	4
Deferred grants	29	4,892	3,596
Interest-bearing bank and other borrowings	30	134,983	172,000
Short-term bond payable	31	300,000	300,000
Total current liabilities		1,617,561	1,034,745
Net current assets		26,660	105,420
TOTAL ASSETS LESS CURRENT LIABILITIES		5,685,323	4,082,472
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	2,837,832	1,679,485
Deferred grants	29	33,026	23,474
Deferred tax liabilities	33	50,216	51,081
Other payables		398	–
Long-term bond payable	34	250,000	–
Total non-current liabilities		3,171,472	1,754,040
Total liabilities		4,789,033	2,788,785
Net assets		2,513,851	2,328,432
Equity attributable to owners of the parent			
Issued capital	35	836,671	836,671
Convertible bonds	32	322,436	322,436
Revaluation reserve		3,622	–
Statutory reserve fund	36	199,295	167,873
Retained profits		1,089,256	931,222
Proposed final dividend	13	60,000	63,000
		2,511,280	2,321,202
Non-controlling interest		2,571	7,230
Total equity		2,513,851	2,328,432
Total equity and liabilities		7,302,884	5,117,217

Statements of Changes in Equity

Year ended 31 December 2013

Group

	Notes	Attributable to owners of the Company							Non-controlling interest RMB'000	Total equity RMB'000
		Issued capital (note 35) RMB'000	Convertible bonds (note 32) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund (note 36) RMB'000	Retained profits RMB'000	Proposed final dividend (note 13) RMB'000	Total RMB'000		
At 1 January 2012		836,671	321,996	–	133,655	732,355	37,000	2,061,677	–	2,061,677
Profit for the year and total comprehensive income for the year		–	–	–	–	311,121	–	311,121	(120)	311,001
Incorporation of a subsidiary		–	–	–	–	–	–	–	7,350	7,350
Transfer to statutory reserve fund	36	–	–	–	34,218	(34,218)	–	–	–	–
2011 final dividend declared		–	–	–	–	–	(37,000)	(37,000)	–	(37,000)
Convertible bonds interest	32	–	15,036	–	–	(15,036)	–	–	–	–
Payment of convertible bonds interests		–	(14,596)	–	–	–	–	(14,596)	–	(14,596)
Proposed 2012 final dividend	13	–	–	–	–	(63,000)	63,000	–	–	–
At 31 December 2012		836,671	322,436	–	167,873	931,222	63,000	2,321,202	7,230	2,328,432
At 1 January 2013		836,671	322,436	–	167,873	931,222	63,000	2,321,202	7,230	2,328,432
Profit for the year		–	–	–	–	264,052	–	264,052	(4,659)	259,393
Other comprehensive income for the year: Change in fair value of an available-for-sale investment		–	–	3,622	–	–	–	3,622	–	3,622
Total comprehensive income for the year		–	–	3,622	–	264,052	–	267,674	(4,659)	263,015
Transfer to statutory reserve fund	36	–	–	–	31,422	(31,422)	–	–	–	–
2012 final dividend declared		–	–	–	–	–	(63,000)	(63,000)	–	(63,000)
Convertible bonds interest	32	–	14,596	–	–	(14,596)	–	–	–	–
Payment of convertible bonds interest		–	(14,596)	–	–	–	–	(14,596)	–	(14,596)
Proposed 2013 final dividend	13	–	–	–	–	(60,000)	60,000	–	–	–
At 31 December 2013		836,671	322,436	3,622	199,295	1,089,256	60,000	2,511,280	2,571	2,513,851

Statements of Changes in Equity

Year ended 31 December 2013

Company

	Notes	Issued capital (note 35) RMB'000	Convertible bonds (note 32) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend (note 13) RMB'000	Total equity RMB'000
At 1 January 2012		836,671	321,996	–	977	37,000	1,196,644
Profit for the year		–	–	–	77,677	–	77,677
Other comprehensive income for the year:							
Change in fair value of an available-for- sale investment		–	–	–	–	–	–
Total comprehensive income for the year		–	–	–	77,677	–	77,677
2011 final dividend declared		–	–	–	–	(37,000)	(37,000)
Convertible bonds interest	32	–	15,036	–	(15,036)	–	–
Payment of convertible bonds interests		–	(14,596)	–	–	–	(14,596)
Proposed 2012 final dividend	13	–	–	–	(63,000)	63,000	–
At 31 December 2012		836,671	322,436	–	618	63,000	1,222,725
At 1 January 2013		836,671	322,436	–	618	63,000	1,222,725
Profit for the year		–	–	–	74,985	–	74,985
Other comprehensive income for the year:							
Change in fair value of an available-for- sale investment		–	–	3,622	–	–	3,622
Total comprehensive income for the year		–	–	3,622	74,985	–	78,607
2012 final dividend declared		–	–	–	–	(63,000)	(63,000)
Convertible bonds interests	32	–	14,596	–	(14,596)	–	–
Payment of convertible bonds interest		–	(14,596)	–	–	–	(14,596)
Proposed 2013 final dividend	13	–	–	–	(60,000)	60,000	–
At 31 December 2013		836,671	322,436	3,622	1,007	60,000	1,223,736

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		311,623	372,021
Adjustments for:			
Amortisation of prepaid land lease payments	7	3,844	3,350
Amortisation of coal mining right	7	1,603	1,568
Depreciation of items of property, plant and equipment	7	183,455	178,866
Loss on disposal of items of property, plant and equipment	7	5,191	10,146
Amortisation of deferred grants	6	(1,121)	(1,095)
Impairment loss of an available-for-sale investment	7	–	1,004
Write-down of inventories to net realisable value	7	–	5,410
Write-off of trade receivables	7	–	43
Interest income	6	(3,847)	(4,463)
Finance costs	8	95,073	82,359
		595,821	649,209
Decrease in inventories		170,989	155,338
Decrease in trade and bills receivables		3,791	13,472
Increase in prepayments		(46,300)	(22,371)
Increase in deposits and other receivables		(149,915)	(35,741)
Net change in balances with related companies		(282)	(1,788)
Increase in trade and bills payables		211,741	15,730
Increase in accruals and other payables		235,812	40,816
Cash flows generated from operations		1,021,657	814,665
Government grants received	29	11,969	24,700
Interest paid	8	(164,793)	(110,118)
Interest received		3,847	4,463
Tax paid		(79,640)	(68,319)
Net cash flows from operating activities		793,040	665,391

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		2,298	247
Purchases of items of property, plant and equipment		(1,631,928)	(1,189,114)
Additions of coal mining right	18	(880)	(1,760)
Investment in an available-for-sale investment	19	–	(7,500)
Increase in pledged time deposits		(136,061)	(2,900)
Net cash flows used in investing activities		(1,766,571)	(1,201,027)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		(63,000)	(37,000)
Payment of convertible bonds interest		(14,596)	(14,596)
Proceeds from issue of a short-term bond	31	300,000	300,000
Repayment of a short-term bond	31	(300,000)	–
Proceeds from issue of a long-term bond	34	250,000	–
Proceeds from loans and borrowings		2,092,702	992,212
Repayments of loans and borrowings		(971,372)	(748,818)
Capital contribution by a non-controlling interest		–	7,350
Net cash flows from financing activities		1,293,734	499,148
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		320,203	(36,488)
Cash and cash equivalents at beginning of year		477,610	514,098
Cash and cash equivalents at end of year		797,813	477,610
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at banks and on hand and cash and cash equivalents as stated in the consolidated statement of financial position		797,813	477,610

Statement of Financial Position

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Investments in subsidiaries	20	1,340,000	1,100,000
CURRENT ASSETS			
Available-for-sale investment	19	8,323	4,701
Due from a subsidiary	20	230,938	132,938
Prepayments	23	318	318
Cash and cash equivalents	24	5,400	4,587
Total current assets		244,979	142,544
Total assets		1,584,979	1,242,544
EQUITY AND LIABILITIES			
CURRENT LIABILITIES			
Accruals and other payables		16,260	19,819
Interest-bearing bank and other borrowings	30	94,983	–
Total current liabilities		111,243	19,819
Net current assets		133,736	122,725
TOTAL ASSETS LESS CURRENT LIABILITIES		1,473,736	1,222,725
NON-CURRENT LIABILITIES			
Long-term bond payable	34	250,000	–
Total liabilities		361,243	19,819
Net assets		1,223,736	1,222,725
Equity attributable to owners of the parent			
Issued capital	35	836,671	836,671
Convertible bonds	32	322,436	322,436
Revaluation reserve		3,622	–
Retained profits		1,007	618
Proposed final dividend	13	60,000	63,000
Total equity		1,223,736	1,222,725
Total equity and liabilities		1,584,979	1,242,544

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 dually 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 80 Robinson Road, #02-00, Singapore 068898. The principal place of business of the Group is located at Xinxiang High Technology Development Zone (Xiaoji Town), Henan Province, the People's Republic of China (the "**PRC**"). The principal activity of the Company 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 a current 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 2013.

- Amendments to SFRS 1
  Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
- Revised SFRS 19 *Employee Benefits*
- SFRS 113 *Fair Value Measurement*
- Amendments to SFRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Improvements to SFRSs 2012
  – Amendment to SFRS 1 *Presentation of Financial Statements*
  – Amendment to SFRS 16 *Property, Plant and Equipment*
  – Amendment to SFRS 32 *Financial Instruments: Presentation*
  – Amendments to SFRS 34 *Interim Financial Reporting*
  – Amendments to SFRS 101 *First-time Adoption of International Financial Reporting Standards*
- INT SFRS 120 *Stripping Costs in the Production Phase of a Surface Mine*

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.

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
Revised SFRS 27 *Separate Financial Statements*	1 January 2014
Revised SFRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
SFRS 110 *Consolidated Financial Statements*	1 January 2014
SFRS 111 *Joint Arrangements*	1 January 2014
SFRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to SFRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to SFRS 110 *Consolidated Financial Statements*	1 January 2014
Amendments to SFRS 111 *Joint Arrangements*	1 January 2014
Amendments to SFRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to SFRS 27 *Separate Financial Statements*	1 January 2014
Amendments to SFRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
Amendments to the transition guidance of SFRS 110 *Consolidated Financial Statements,* SFRS 111 *Joint Arrangements* and SFRS 112 *Disclosures of Interests in Other Entities*	1 January 2014
Amendments to SFRS 110, SFRS 112 and SFRS 27 *Investment Entities*	1 January 2014
Amendments to SFRS 36 *Recoverable Amount Disclosures for Non-financial Assets*	1 January 2014
Amendments to SFRS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
INT SFRS 121 *Levies*	1 January 2014
Amendments to SFRS 10 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to SFRSs 2014	
– Amendment to SFRS 102 *Share-based Payment*	1 July 2014
– Amendments to SFRS 103 *Business Combinations*	1 July 2014
– Amendments to SFRS 108 *Operating Segments*	1 July 2014
– Amendments to SFRS 16 *Property, Plant and Equipment*	1 July 2014
– Amendments to SFRS 24 *Related Party Disclosures*	1 July 2014
– Amendments to SFRS 38 *Intangible Assets*	1 July 2014
– Amendments to SFRS 113 *Fair Value Measurement*	1 July 2014
– Amendments to SFRS 40 *Investment Property*	1 July 2014

Except for SFRS 111 and Revised SFRS 28, 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 111 and Revised SFRS 28 are described below.

2.3 Standards Issued but not yet Effective (continued)

SFRS 111 *Joint arrangements and Revised SFRS 28 Investments in Associates and Joint Ventures*

FRS 111 *Joint Arrangements and Revised FRS 28 Investments in Associates and Joint Ventures* are effective for financial periods beginning on or after 1 January 2014.

FRS 111 classifies joint arrangements either as joint operations or joint ventures. Joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities of the arrangement whereas joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

FRS 111 requires the determination of the joint arrangement's classification to be based on the parties' rights and obligations under the arrangement, with the existence of a separate legal vehicle no longer being the key factor. FRS 111 disallows proportionate consolidation and requires joint ventures to be accounted for using the equity method. The revised FRS 28 was amended to describe the application of equity method to investments in joint ventures in addition to associates.

The Group currently applies proportionate consolidation for its joint ventures. Upon adoption of FRS 111, the Group expects the change to equity accounting for these joint ventures will result in decrease in total assets and total liabilities.

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 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.

Business combinations

Business combinations are accounted for using 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 by reference to quoted market prices. For items with no active market, the fair value is determined using appropriate valuation techniques, such as the 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.

3. Summary of Significant Accounting Policies (continued)

Business combinations (continued)

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 and 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 remeasured until it is finally settled within equity.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting 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), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the parent, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Functional currency

The Group's principal operations are conducted in the PRC. The directors have 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.

3. Summary of Significant Accounting Policies (continued)

Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies 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 rates at the date when the fair value was determined.

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 is re-attributed to non-controlling interest and is 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.

3. Summary of Significant Accounting Policies (continued)

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and other parties have an interest.

The joint venture agreement between the ventures stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the ventures, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with SFRS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

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 the 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 the 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);

(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 accumulated 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.

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 including 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, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds 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 accumulated impairment losses. The coal 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 an annual impairment testing 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 of disposal 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 of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples 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 an 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 and amortisation, had no impairment loss been recognised previously. Such a reversal is recognised in profit or loss unless the asset is measured at a revalued amount, in which case the reversal is treated as a revaluation increase.

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 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.

3. Summary of Significant Accounting Policies (continued)

Goodwill (continued)

The cash-generating unit to which goodwill have 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 the disposal. 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.

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.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement (continued)

(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 derecognised 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised 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.

3. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset 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 financial assets 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 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 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 includes (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 cost. "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 repayment 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.

3. Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

The 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. 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) Financial liabilities at amortised cost

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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. Convertible bonds interests of 4.5% per annum is payable in cash annually in arrears on the anniversary of the issue date (i.e. 21 December 2011) in each year, commencing on the first anniversary of the issue date, which are accrued and paid through the transfer from retained profits of the Group.

Short-term and long-term bonds payable

Short-term and long-term bonds payable are classified under loans and borrowings and recognised initially at fair value. After initial recognition, short-term and long-term bonds payable are subsequently measured at cost because the effect of discounting would be immaterial as their terms are relatively short.

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 into 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, and assets similar in nature to cash, 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 costs on a weighted average basis.

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on 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.

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. They are recognised when 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 as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. 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.

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 asset for its 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 the defined contribution pension scheme 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 risk and rewards of ownership of the goods to the customer, 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 exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, 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.

(d) Subsidy income

Subsidy income represents subsidies received from the government and is recognised upon cash receipt and when all the relating conditions have been fulfilled.

(e) Amortisation of deferred grants

Deferred grants are amortised and credited to profit or loss by annual instalments over the expected useful life of the relevant assets the grants are intended to compensate.

Income taxes

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 the 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 the tax relates to items 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 temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

Deferred tax (continued)

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

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

- In respect of taxable 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 and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference 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 the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 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 in 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

3. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

Deferred tax (continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

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.

Segment reporting

For management purposes, the Group is organised into operating segments based on their products and the segment results are reported directly 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 issuance expenses

Proceeds from 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.

3. Summary of Significant Accounting Policies (continued)

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 on 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.

4. Significant Accounting Estimates and Judgements

The preparation of the Group's consolidated 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 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 consolidated financial statements:

4. Significant Accounting Estimates and Judgements (continued)

Judgements made in applying accounting policies (continued)

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, deferred tax assets and deferred tax liabilities at 31 December 2013 were RMB26,446,000, RMB4,000, RMB8,663,000 and RMB50,216,000, respectively (2012: income tax recoverable, payable, deferred tax assets and deferred tax liabilities were RMB3,858,000, RMB4,000, RMB4,706,000 and RMB51,081,000, respectively).

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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 units 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 2013 was RMB6,950,000 (2012: RMB6,950,000). 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 a straight-line basis over the estimated useful lives of the assets. Management estimates the useful lives of the production lines to be within 8 to 15 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of the plant and machinery and therefore depreciation charges could be changed in line with revisions to the expected economic useful lives. The carrying amount of the Group's plant and machinery at 31 December 2013 was RMB1,477,572,000 (2012: RMB1,537,039,000).

Impairment of an available-for-sale investment

The Group classifies a listed equity 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 2013, no impairment loss has been recognised for this available-for-sale investment (impairment loss in 2012: RMB1,004,000). The carrying amount of this available-for-sale investment was RMB8,323,000 (2012: RMB4,701,000).

4. Significant Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

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 the section of summary of significant accounting policies. 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 to calculate the present value of those cash flows. At 31 December 2013, no impairment loss has been recognised for the coal mining right. The carrying amount of the coal mining right at 31 December 2013 was RMB41,232,000 (2012: RMB41,955,000).

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 2013 was RMB41,232,000 (2012: RMB41,955,000).

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.

5. Operating Segment Information (continued)

(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, in the opinion of the directors, there were only limited operations in the subsidiary that is engaged in coal mining and the sale of coal 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 this 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), income taxes and other unallocated items, as explained below, 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 other income and gains, 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. 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 information

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

Information about a major customer

During the years ended 31 December 2013 and 2012, sales to the Group's major customer amounted to RMB175,472,000 (or 4.4% of the total sales) and RMB244,647,000 (or 6.2% of the total sales), respectively.

5. Operating Segment Information (continued)

Segment profit information

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

Group

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

5. Operating Segment Information (continued)

Group

Year ended 31 December 2012	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
REVENUE						
Sales to external customers	2,498,534	937,973	495,163	13,914	–	3,945,584
Intersegment sales	318,658	–	–	5,743	(324,401)	–
Total revenue	2,817,192	937,973	495,163	19,657	(324,401)	3,945,584
Segment profit	571,285	127,463	19,466	1,428	–	719,642
Interest income						4,463
Unallocated other income and gains						24,617
Unallocated expenses						(294,342)
Finance costs						(82,359)
Profit before tax						372,021
Income tax expense						(61,020)
Profit for the year						311,001
Other segment information:						
Write-off of trade receivables						43
Write-down of inventories to net realisable value						5,410
Impairment of an available-for-sale investment						1,004
Loss on disposal of items of property, plant and equipment						10,146
Depreciation of items of property, plant and equipment						178,866
Amortisation of prepaid land lease payments						3,350
Amortisation of coal mining right						1,568

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:

	2013 RMB'000	2012 RMB'000
Revenue		
Sale of goods	3,968,946	3,945,584

	2013 RMB'000	2012 RMB'000
Other income and gains		
Bank interest income	3,847	4,463
Net profit from sales of by-products	10,747	9,178
Amortisation of deferred grants (note 29)	1,121	1,095
Subsidy income	3,184	12,489
Realised exchange gain	6,865	–
Others	538	1,855
	26,302	29,080

7. Profit Before Tax

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

	Notes	2013 RMB'000	2012 RMB'000
Cost of inventories sold #		3,221,247	3,225,942
Depreciation of items of property, plant and equipment	15	183,455	178,866
Amortisation of prepaid land lease payments	16	3,844	3,350
Amortisation of coal mining right	18	1,603	1,568
Minimum lease payments under operating leases:			
Land		1,319	1,313
Buildings		1,066	480
		2,385	1,793
Auditors' remuneration		1,322	1,659
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and bonuses		203,336	198,555
Contributions to defined contribution plans		5,667	41,931
Welfare expenses		25,044	14,298
		234,047	254,784
Impairment of an available-for-sale investment *		–	1,004
Unrealised exchange loss, net *		144	706
Loss on disposal of items of property, plant and equipment *		5,191	10,146
Write-down of inventories to net realisable value	21	–	5,410
Write-off of trade receivables		–	43

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

\# Included wages and salaries of RMB34,939,000 (2012: RMB32,271,000) disclosed under employee benefit expenses, depreciation charges of RMB154,976,000 (2012: RMB154,523,000) disclosed under depreciation.

8. Finance Costs

The Group's finance costs are analysed as follows:

	2013 RMB'000	2012 RMB'000
Interest on bank loans, overdrafts, other loans and bonds, wholly repayable within five years	164,550	90,311
Interest on bank loans, overdrafts and other loans, wholly repayable after five years	–	19,465
Interest on government loans	243	342
	164,793	110,118
Less: Interest capitalised (note 37)	(69,720)	(27,759)
	95,073	82,359

9. Directors' Remuneration

Details of directors' remuneration are as follows:

	2013 RMB'000	2012 RMB'000
Fees	800	800
Other emoluments:		
Salaries, allowances and benefits in kind	6,454	8,157
Pension scheme contributions	54	73
	6,508	8,230
	7,308	9,030

(a) Independent non-executive directors

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

	2013 RMB'000	2012 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 2013 (2012: Nil).

9. Directors' Remuneration (continued)

(b) Executive directors and a non-executive director

Year ended 31 December 2013	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	–	873	1,668	27	2,568
Yan Yunhua	–	693	1,250	27	1,970
Li Buwen	–	720	1,250	–	1,970
	–	2,286	4,168	54	6,508
Non-executive director:					
Lian Jie	–	–	–	–	–
	–	2,286	4,168	54	6,508
Year ended 31 December 2012					
Executive directors:					
Liu Xingxu	–	875	2,356	25	3,256
Yan Yunhua	–	696	1,767	24	2,487
Li Buwen	–	696	1,767	24	2,487
	–	2,267	5,890	73	8,230
Non-executive director:					
Lian Jie	–	–	–	–	–
	–	2,267	5,890	73	8,230

* Performance-related bonuses are based on the profit before tax of the Group for each financial year.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2013 (2012: 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.

10. Five Highest Paid Employees

The five highest paid employees in the Group for the year included three (2012: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2012: two) non-director, highest paid employees for the year are as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	975	1,038
Performance-related bonuses	520	420
Pension scheme contributions	40	35
	1,535	1,493

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

	2013	2012
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% (2012: 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% (2012: 25%). In the prior year, one of the subsidiaries was awarded the New/High Tech Enterprise Award as recognition of its innovation and use of state-of-the-art equipment. This award brought this subsidiary a tax concession of a lower income tax rate (i.e., 15%) for the years ended 31 December 2012 and 31 December 2013.

11. Income Tax (continued)

The major components of income tax expense for the financial years ended 31 December 2013 and 2012 are:

Group

	2013 RMB'000	2012 RMB'000
Current – PRC		
Charge for the year	55,767	64,941
Underprovision in respect of prior years	780	1,145
Deferred (note 33)	(4,317)	(5,066)
Total tax charge for the year	52,230	61,020

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:

	2013 RMB'000	2012 RMB'000
Profit before tax	311,623	372,021
Tax at statutory tax rates	79,737	94,291
Expenses not deductible for tax	7,661	8,427
Effect of a tax concession	(37,485)	(40,312)
Adjustments in respect of current tax of previous periods	780	1,145
Recognition of deductible temporary differences previously not recognised	–	(2,618)
Deferred tax not recognised	2,401	–
Others	(864)	87
Tax charge for the year at the effective tax rate	52,230	61,020

12. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of RMB23,015,000 (2012: RMB13,545,000) which has been dealt with in the financial statements of the Company.

13. Dividend

	2013 RMB'000	2012 RMB'000
Proposed final dividend – RMB6.00 cents (2012: RMB6.30 cents) per ordinary share	60,000	63,000

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

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) of 1,176,000,000 (2012: 1,176,000,000), as adjusted to reflect the convertible bonds issued in 2011.

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

	2013 RMB'000	2012 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	264,052	311,121

	2013 Number of shares	2012 Number of shares
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) for the purpose of calculating basic and diluted earnings per share	1,176,000,000	1,176,000,000

15. Property, Plant and Equipment

Group

31 December 2013

	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 2012 and 1 January 2013	288,032	406,092	2,244,641	85,137	27,559	826,702	3,878,163
Additions	723	1,191	18,709	14,204	15,557	1,856,938	1,907,322
Transfers	47,671	4,927	66,328	3,251	(1,118)	(121,059)	–
Disposals	(3)	(52)	(12,392)	(731)	(2,072)	–	(15,250)
At 31 December 2013	336,423	412,158	2,317,286	101,861	39,926	2,562,581	5,770,235
Accumulated depreciation:							
At 31 December 2012 and 1 January 2013	41,390	53,963	707,602	44,369	11,814	–	859,138
Depreciation charged for the year	13,297	14,891	137,879	12,858	4,530	–	183,455
Disposals	–	(32)	(5,767)	(505)	(1,457)	–	(7,761)
At 31 December 2013	54,687	68,822	839,714	56,722	14,887	–	1,034,832
Net carrying amount:							
At 31 December 2013	281,736	343,336	1,477,572	45,139	25,039	2,562,581	4,735,403

15. Property, Plant and Equipment (continued)

Group

31 December 2012

	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 2012	277,876	386,757	2,182,184	75,688	21,750	282,690	3,226,945
Additions	2,303	18,231	31,954	6,215	5,986	692,628	757,317
Transfers	7,853	1,722	43,350	3,381	1,109	(57,415)	–
Transfers to prepaid land lease payments (note 16)	–	–	–	–	–	(91,201)	(91,201)
Disposals	–	(618)	(12,847)	(147)	(1,286)	–	(14,898)
At 31 December 2012	288,032	406,092	2,244,641	85,137	27,559	826,702	3,878,163
Accumulated depreciation:							
At 1 January 2012	29,099	40,389	574,922	31,711	8,656	–	684,777
Depreciation charged for the year	12,291	13,718	136,163	12,774	3,920	–	178,866
Disposals	–	(144)	(3,483)	(116)	(762)	–	(4,505)
At 31 December 2012	41,390	53,963	707,602	44,369	11,814	–	859,138
Net carrying amount:							
At 31 December 2012	246,642	352,129	1,537,039	40,768	15,745	826,702	3,019,025

The Group's buildings with an aggregate net carrying amount of RMB281,736,000 (2012: RMB246,642,000) are situated in Mainland China.

16. Prepaid Land Lease Payments

Group

	Notes	2013 RMB'000	2012 RMB'000
Carrying amount at 1 January		179,133	91,282
Transfer from construction in progress	15	–	91,201
Amortisation during the year	7	(3,844)	(3,350)
Carrying amount at 31 December		175,289	179,133
Current portion included in prepayments	23	(3,843)	(3,843)
Non-current portion		171,446	175,290

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 41 to 48 years (2012: from 42 to 49 years).

17. Goodwill

Group

	RMB'000
Cost and net carrying amount at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	6,950
At 31 December 2013 and 31 December 2012:	
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 (2012: 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 20-year period. The cash flow projections are discounted using the discount rate of 9%.

Assumptions used in the 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
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	41,955
Additions	880
Amortisation provided during the year (note 7)	(1,603)
At 31 December 2013	41,232
At 31 December 2013:	
Cost	44,541
Accumulated amortisation	(3,309)
Net carrying amount	41,232
31 December 2012	
Cost at 1 January 2012, net of accumulated amortisation	41,763
Additions	1,760
Amortisation provided during the year (note 7)	(1,568)
At 31 December 2012	41,955
At 31 December 2012:	
Cost	43,661
Accumulated amortisation	(1,706)
Net carrying amount	41,955

19. Available-for-sale Investments

	Group	
	2013 RMB'000	2012 RMB'000
NON-CURRENT		
Unquoted equity investment, at cost:		
PRC	7,500	7,500
CURRENT		
Listed equity investment, at fair value:		
Singapore	8,323	4,701

	Company	
	2013 RMB'000	2012 RMB'000
CURRENT		
Listed equity investment, at fair value:		
Singapore	8,323	4,701

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

During the year, the gross gain in respect of the available-for-sale investments recognised in other comprehensive income amounted to RMB3,622,000 (gross loss in 2012: RMB1,004,000) and arose from the equity investment included in current asset. The listed equity investment was classified as a current asset 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 RMB8,193,000.

The Group also made an investment of RMB7,500,000 in 15% of the unlisted registered capital of 瑪納斯縣碧源供水有限責任公司("**Biyuan**") which was established to provide water supply and water treatment services and is currently in its startup phase. As at 31 December 2013, the investment in Biyuan was stated at cost less impairment of RMB7,500,000 (2012: RMB7,500,000) because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of it in the near future.

20. Investments in Subsidiaries

	Company 2013 RMB'000	2012 RMB'000
Unlisted shares, at cost	1,340,000	1,100,000

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	RMB1,340,000,000	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%	Dormant
Xinjiang Xinlianxin Energy Chemical Co., Ltd.#@	PRC/ Mainland China	RMB870,000,000	–	100%	Investment holding
瑪納斯天利煤業有限責任公司 (“**Tianli**”)#@	PRC/ Mainland China	RMB45,000,000	–	100%	Coal mining and sales of coal
河南農心肥業有限公司 (“**Nongxin**”)#@	PRC/ Mainland China	RMB15,000,000	–	51%	Manufacturing and trading of compound fertiliser and related products

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

@ These subsidiaries are established in the PRC and registered under PRC law.

\# The statutory audited financial statements of the subsidiaries for the year ended 31 December 2013 were not audited by Ernst & Young LLP, Singapore or another member firm of the Ernst & Young global network.

20. Investments in Subsidiaries (continued)

On 19 March 2012, the Group entered into an agreement with Sinoagric Chain Co., Ltd. (華農農資連鎖股份有限公司) to establish a joint venture, namely Nongxin for a period of fifty years, to manufacture and sell compound fertiliser and related products. Further details of this establishment are included in the Company's announcement dated 26 March 2012.

21. Inventories

	Group	
	2013 RMB'000	2012 RMB'000
Statement of financial position:		
Raw materials	131,755	243,444
Parts and spares	27,244	13,518
Work-in-progress	2,657	5,816
Finished goods	99,721	169,588
	261,377	432,366
Profit or loss:		
Inventories recognised as an expense in cost of sales	3,031,332	3,033,738
Write-down of inventories to net realisable value (note 7)	–	5,410
	3,031,332	3,039,148

22. Trade and Bills Receivables

	Group	
	2013 RMB'000	2012 RMB'000
Trade receivables	9,572	15,520
Bills receivable	3,897	1,740

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.

22. Trade and Bills Receivables (continued)

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

	2013 RMB'000	2012 RMB'000
Within 1 month	2,152	13,876
1 to 3 months	819	830
3 to 6 months	2,372	469
6 to 12 months	3,990	345
Over 12 months	239	–
	9,572	15,520

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

	2013 RMB'000	2012 RMB'000
Neither past due nor impaired	2,971	14,706
Less than 3 months past due	2,372	469
More than 3 months past due	4,229	345
	9,572	15,520

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.

22. Trade and Bills Receivables (continued)

At 31 December 2013, the Group endorsed bills receivable accepted by banks in the PRC (the "**Endorsed Bills**") with aggregate carrying amount of RMB266,141,000 (2012: RMB175,510,000) with maturity from one to six months at the end of the reporting period, to certain of its suppliers for settlement of the trade payables due to these suppliers (the "**Endorsement**"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, all risks and rewards relating to the Endorsed Bills have been substantially transferred upon the Endorsement. Accordingly, the Group has derecognised the full carrying amounts of the Endorsed Bills and the associated trade payables. The maximum exposure arising from the Group's Continuing Involvement in the Endorsed Bills and the undiscounted cash flows to repurchase these Endorsed Bills equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Endorsed Bills are not significant.

During the year ended 31 December 2013, the Group has not recognised any gain or loss on the date of transfer of the Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement has been made evenly throughout the year.

23. Prepayments, Deposits and Other Receivables

		Group	
	Note	2013 RMB'000	2012 RMB'000
NON-CURRENT			
Prepayments for purchases of items of plant and equipment		687,469	721,626
CURRENT			
Prepayments			
Advanced deposits to suppliers		176,246	129,842
Current portion of prepaid land lease payments	16	3,843	3,843
Other prepayments		6,841	6,945
		186,930	140,630
Deposits and other receivables			
Deposits		340	–
VAT recoverable		182,954	38,223
Others		15,701	10,857
		198,995	49,080
Total prepayments, deposits and other receivables		385,925	189,710

23. Prepayments, Deposits and Other Receivables (continued)

	Company	
	2013 RMB'000	2012 RMB'000
Prepayments	318	318

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.

24. Cash and Cash Equivalents and Pledged Deposits

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Time deposits	148,961	12,900	–	–
Less:				
Pledged time deposits for bills payable (note 27)	(148,961)	(12,900)	–	–
	–	–	–	–
Cash at banks and on hand	797,813	477,610	5,400	4,587
Cash and cash equivalents	797,813	477,610	5,400	4,587

At 31 December 2013, the cash and bank balances of the Group denominated in RMB amounted to RMB780,942,000 (2012: RMB424,567,000). 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 six 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 from/to a Related Company

Balances with related companies are unsecured, interest-free and repayable on demand, except for an amount due to Henan Xinlianxin Chemicals Group Co., Ltd. ("**Henan Chemicals**") as at 31 December 2012 which bore interest at 5.13% per annum.

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	
	2013 RMB'000	2012 RMB'000
Within 1 month	66,288	44,495
1 to 3 months	11,115	55,750
3 to 6 months	4,504	4,948
6 to 12 months	2,143	1,941
Over 12 months	4,121	3,639
	88,171	110,773

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 RMB148,961,000 (2012: RMB12,900,000) (note 24).

28. Accruals and Other Payables

	Group	
	2013 RMB'000	2012 RMB'000
Accruals		
Accrued expenses	87,919	70,404
Accruals for construction costs and purchases of items of property, plant and equipment	264,163	92,646
	352,082	163,050
Other payables		
Advanced purchase deposits from customers	412,020	180,301
VAT and other operating tax payables	5,392	1,562
Tender deposits	34,243	50,863
Others	25,631	26,661
	477,286	259,387
	829,368	422,437

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

29. Deferred Grants

	Group	
	2013 RMB'000	2012 RMB'000
Cost:		
At beginning of the year	30,700	6,000
Received during the year	11,969	24,700
At end of year	42,669	30,700
Accumulated amortisation:		
At beginning of the year	3,630	2,535
Amortisation during the year	1,121	1,095
At end of year	4,751	3,630
Net carrying amount:		
Current	4,892	3,596
Non-current	33,026	23,474
	37,918	27,070

As at 31 December 2013 and 2012, deferred grants related to government grants were given to the Group for the construction of production plants and installation and building of machinery to implement energy-saving production methods and to reduce production cost. They are amortised over the useful life of the related items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants. During the year, government grants of aggregately RMB11,969,000 (2012: RMB24,700,000) were given to the Group.

30. Interest-Bearing Bank and Other Borrowings

Group

	2013			2012		
	Contractual interest rate	Maturity	RMB'000	Contractual interest rate	Maturity	RMB'000
CURRENT						
Bank loans						
– secured	6.1% to 7.1%	2014	94,983	–	–	–
– unsecured	6.1% to 7.1%	2014	40,000	5.6% to 6.8%	2013	172,000
NON-CURRENT						
Bank loans						
– unsecured	1.81% to 7.32%	2015 to 2018	2,831,468	1.81% to 7.32%	2014 to 2018	1,672,212
Loan from the government						
– unsecured	Floating rate at 0.3% above the market prime lending rate	2020	6,364	Floating rate at 0.3% above the market prime lending rate	2020	7,273
			2,837,832			1,679,485
			2,972,815			1,851,485

Company

	2013			2012		
	Contractual interest rate	Maturity	RMB'000	Contractual interest rate	Maturity	RMB'000
Bank loans						
– unsecured	6.1% to 7.1%	2014	94,983	–	–	–

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

	Group	
	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	134,983	172,000
In the second year	1,240,756	965,212
In the third to fifth years, inclusive	1,590,712	247,000
Beyond five years	–	460,000
	2,966,451	1,844,212
Other borrowings repayable:		
Beyond five years	6,364	7,273
	2,972,815	1,851,485

	Company	
	2013 RMB'000	2012 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	94,983	–

Notes:

(a) Bank loan of RMB94,983,000 is secured by pledged deposits of the Group.

(b) Except for two unsecured bank loans amounting to RMB355,739,000 (2012: RMB268,212,000) which are denominated in United States dollars ("**USD**"), all borrowings are in RMB.

31. Short-Term Bond Payable

On 10 May 2012, Henan Xinlianxin Fertiliser Co., Ltd., a subsidiary of the Company, issued a short-term unsecured corporate bond of RMB300,000,000 to a number of financial institutions with China Minsheng Banking Corp., Ltd. as the principal underwriter, with a maturity period of one year and a fixed interest rate of 5.7% per annum. The principal and the interest were repaid on 11 May 2013 which was then renewed and the principal and the interest will be repaid at the end of the term on 11 May 2014.

32. 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 during the year. The bonds are convertible into ordinary shares of the Company at the option of the bondholder 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 the 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 interest and other cash payments to the bondholder. Accordingly, the convertible bonds are classified as equity instruments.

During the year, bond interest of RMB14,596,000 (2012: RMB15,036,000) was accrued of which RMB14,596,000 (2012: RMB14,596,000) was paid to the bondholder.

33. Deferred Tax

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of a subsidiary (note a) RMB'000	Withholding tax (note b) RMB'000	Total RMB'000
At 1 January 2012	9,760	46,459	56,219
Payment during the year	–	(4,778)	(4,778)
Deferred tax credited to profit or loss during the year (note 11)	(360)	–	(360)
At 31 December 2012 and at 1 January 2013	9,400	41,681	51,081
Payment during the year	–	(505)	(505)
Deferred tax credited to profit or loss during the year (note 11)	(360)	–	(360)
At 31 December 2013	9,040	41,176	50,216

Deferred tax assets

	Deductible temporary differences RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013	4,706
Deferred tax credited to profit or loss during the year (note 11)	3,957
At 31 December 2013	8,663

Notes:

(a) Deferred tax liabilities arising from fair value adjustments arising from acquisition of a subsidiary represented the deferred tax liabilities on the 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 its acquisition in 2011, and are credited to profit or loss over the estimated useful life of the coal mining right of approximately 27 years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 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. The Group made provision for deferred tax liabilities on withholding tax at 5% of the forecasted dividend payout of the earnings of all its PRC subsidiaries because the directors believe that the PRC subsidiaries would not pay out all their earnings as dividends.

34. Long-Term Bond Payable

On 30 July 2013, the Group and the Company issued a RMB bond in an aggregate amount of RMB250,000,000 (the "**RMB bond**"). The RMB bond has a maturity term of two years and bears a fixed interest rate of 8.5% per annum with interest payable semi-annually in arrears.

35. Share Capital

	Number of ordinary shares		Amount	
	2013	2012	2013 RMB'000	2012 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.

36. Reserves

The amounts of the Group's and the Company's reserves and the movements therein for the years ended 31 December 2013 and 2012 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.

37. Note To The Consolidated Statement Of Cash Flows

Major non-cash transaction – interest capitalisation

During the year, the Group capitalised interest expenses of RMB69,720,000 (2012: RMB27,759,000) to property, plant and equipment (note 8).

38. Contingent Liabilities

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

39. Operating Lease Arrangements

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

	2013 RMB'000	2012 RMB'000
Within one year	74,672	19,420
In the second to fifth years, inclusive	224,945	297,956
After five years	30,784	32,105
	330,401	349,481

The Company had no operating lease arrangements as at 31 December 2013 and 2012.

40. Commitments

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital and other commitments at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
Capital commitments		
Contracted, but not provided for:		
Buildings	380,379	223,396
Plant and machinery	1,144,582	978,518
Coal mines	51,849	–
	1,576,810	1,201,914
Authorised, but not contracted for:		
Plant and machinery	1,344,000	2,689,163
	2,920,810	3,891,077
Other commitments		
Purchases of raw materials	499	2,078

The Company had no material commitments as at 31 December 2013 and 2012.

41. 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	2013 RMB'000	2012 RMB'000
Sales of electricity, water and steam to: *	(i)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		1,484	1,200
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		–	8,976
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		63	48
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		146	205
– Xinxiang Yuyuan Chemical Co., Ltd. #		696	604
– Xinxiang Xinlianxin Hotel Co., Ltd. #		266	219
Service fee income for provision of calibration and testing services to:	(ii)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		54	42
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		–	7
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		9	23
– Xinxiang Yuyuan Chemical Co., Ltd. #		57	45
– Xinxiang Xinlianxin Hotel Co., Ltd. #		1	1
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		2	–
Purchases of raw materials and consumables from:	(iii)		
– Xinxiang Xinlianxin Gas Products Co., Ltd. #		–	186
Purchases of items of property, plant and equipment from:	(iv)		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		15,161	11,493
– Henan Shenzhou Heavy Sealing Co., Ltd. #		1	2
Service fee expenses for provision of lifting services from:	(v)		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		4,602	3,715
Operating lease expenses to:	(vi)		
– Henan Chemicals		1,066	480
Catering and accommodation expenses to:	(vii)		
– Xinxiang Xinlianxin Hotel Co., Ltd. #		4,088	4,459
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #		994	662

41. 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)

\# 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. Xinxiang Xinlianxin Gas Products Co., Ltd. ceased to be a related party of the Group since Henan Chemicals disposed of it in October 2012, therefore, the table above only includes transactions with Xinxiang Xinlianxin Gas Products Co., Ltd. before the disposal.

* The amounts represent gross sales of by-products. Profit generated from these sales amounting to RMB707,000 (2012: RMB3,175,000) is included in net profit from sales of by-products (note 6).

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 approximately 36% above cost (2012: approximately 41% 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 party.

(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 parties.

(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 for the first eight months and RMB186,600 for the last four months (2012: RMB40,000).

(vii) The catering and accommodation expenses were charged based on mutually agreed terms with reference to the actual costs incurred.

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

41. Related Party Transactions (continued)

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

	2013 RMB'000	2012 RMB'000
Directors' fees	800	800
Salaries and bonuses	9,860	11,750
Contributions to defined contribution plans	148	207
	10,808	12,757
Comprise amounts paid to:		
– Directors of the Company	7,308	9,030
– Other key management personnel	3,500	3,727
	10,808	12,757

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

42. 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

		2013			2012		
	Notes	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	19	–	15,823	15,823	–	12,201	12,201
Due from a related company	25	1,907	–	1,907	1,760	–	1,760
Trade receivables	22	9,572	–	9,572	15,520	–	15,520
Bills receivable	22	3,897	–	3,897	1,740	–	1,740
Deposits and other receivables	23	198,995	–	198,995	49,080	–	49,080
Pledged deposits	24	148,961	–	148,961	12,900	–	12,900
Cash and cash equivalents	24	797,813	–	797,813	477,610	–	477,610
		1,161,145	15,823	1,176,968	558,610	12,201	570,811

42. Financial Instruments by Category (continued)

Group (continued)

Financial liabilities

	Notes	Financial liabilities at amortised cost 2013 RMB'000	2012 RMB'000
Due to a related company	25	–	135
Trade payables	26	88,171	110,773
Bills payable	27	260,143	25,800
Financial liabilities included in accruals and other payables	28	415,928	242,136
Interest-bearing bank and other borrowings	30	2,972,185	1,851,485
Short-term bond payable	31	300,000	300,000
Other payables		398	–
Long-term bond payable	34	250,000	–
		4,286,825	2,530,329

Company

Financial assets

	Note	Loans and receivables 2013 RMB'000	2012 RMB'000
Due from a subsidiary		230,938	132,938
Cash and cash equivalents	24	5,400	4,587
		236,338	137,525

	Note	Available-for-sale financial assets 2013 RMB'000	2012 RMB'000
Available-for-sale investment	19	8,323	4,701

Financial liabilities

	Note	Financial liabilities at amortised cost 2013 RMB'000	2012 RMB'000
Accruals and other payables		16,260	19,819
Long-term bond payable	34	250,000	–
		266,260	19,819

43. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets				
Available-for-sale investment	8,323	4,701	8,323	4,701
Financial liabilities				
Interest-bearing bank and other borrowings	2,972,815	1,851,485	2,972,815	1,851,485
Short-term bond payable	300,000	300,000	300,000	300,000
Long-term bond payable	250,000	–	250,000	–
	3,522,815	2,151,485	3,522,815	2,151,485

Company

	Carrying amounts		Fair values	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial asset				
Available-for-sale investment	8,323	4,701	8,323	4,701
Financial liability				
Long-term bond payable	250,000	–	250,000	–

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, bills receivable, deposits and other receivables, amounts due from/to related companies, trade and bills payables, financial liabilities included in other payables and accruals and an amount due from a subsidiary approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

43. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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 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 with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

Group and Company

As at 31 December 2013

	Quoted prices in active markets (Level 1) RMB'000
Available-for-sale investment	8,323

As at 31 December 2012

	Quoted prices in active markets (Level 1) RMB'000
Available-for-sale investment	4,701

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2012: Nil).

Liability measured at fair value:

The Group and the Company had no financial liabilities measured at fair value as at 31 December 2013 and 2012.

44. 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. There are no significant concentrations of credit risk within the Group.

At 31 December 2013, none of the Group's trade receivables (2012: Nil) were due from its top 10 customers.

44. 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.

	Within 1 year or on demand 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 2013					
Trade payables	88,171	–	–	–	88,171
Bills payable	260,143	–	–	–	260,143
Financial liabilities included in accruals and other payables	415,928	–	–	–	415,928
Interest-bearing bank and other borrowings	115,428	1,468,714	1,587,974	–	3,172,116
Short-term bond payable	307,729	–	–	–	307,729
Other payable	398	–	–	–	398
Long-term bond payable	21,250	271,250	–	–	292,500
	1,209,047	1,739,964	1,587,974	–	4,536,985
31 December 2012					
Due to related companies	135	–	–	–	135
Trade payables	110,773	–	–	–	110,773
Bills payable	25,800	–	–	–	25,800
Financial liabilities included in accruals and other payables	242,136	–	–	–	242,136
Interest-bearing bank and other borrowings	179,054	1,046,828	320,455	643,530	2,189,867
Short-term bond payable	317,100	–	–	–	317,100
	874,998	1,046,828	320,455	643,530	2,885,811

44. Financial Risk Management Objectives and Policies (continued)

(b) Liquidity risk (continued)

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. (continued)

	Within 1 year or on demand RMB'000	1 to 3 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Company					
31 December 2013					
Accruals and other payables	16,260	–	–	–	16,260
Long-term bond payable	21,250	271,250	–	–	292,500
	37,510	271,250	–	–	308,760
31 December 2012					
Accruals and other payables	19,819	–	–	–	19,819

(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 bank and other 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	2013 RMB'000	2012 RMB'000
Interest expense			
RMB	10	(2,363)	(1,252)
USD	10	(222)	(228)
Interest income			
RMB	10	790	361
USD	50	70	277

44. Financial Risk Management Objectives and Policies (continued)

(d) Foreign currency risk

The Group holds cash and cash equivalents and interest-bearing bank borrowing denominated in foreign currencies for working capital purposes. At the end of the reporting period, these foreign currency net assets/(liabilities) (mainly in SGD, USD and Hong Kong dollars ("**HKD**")) are as follows:

	2013 RMB'000	2012 RMB'000
SGD	136	392
USD	(339,306)	(202,984)
HKD	–	322
	(339,170)	(202,270)

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.

		2013 RMB'000	2012 RMB'000
SGD	– strengthened 5% (2012: 5%)	8	20
	– weakened 5% (2012: 5%)	(8)	(20)
USD	– strengthened 2% (2012: 2%)	(6,786)	(4,060)
	– weakened 2% (2012: 2%)	6,786	4,060
HKD	– strengthened 1% (2012: 1%)	–	3
	– weakened 1% (2012: 1%)	–	(3)

45. 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 2013 and 2012.

As disclosed in note 36, 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 2013 and 2012.

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%.

	2013 RMB'000	2012 RMB'000
Due to a related company	–	135
Trade payables	88,171	110,773
Bills payable	260,143	25,800
Accruals and other payables	829,368	422,437
Interest-bearing bank and other borrowings	2,972,815	1,851,485
Short-term bond payable	300,000	300,000
Other payables	398	–
Long-term bond payable	250,000	–
Less: Cash and cash equivalents	(797,813)	(477,610)
Less: Pledged deposits	(148,961)	(12,900)
Net debt	3,754,121	2,220,120
Equity attributable to owners of the parent	2,511,280	2,321,202
Less: Statutory reserve fund	(199,295)	(167,873)
Total capital	2,311,985	2,153,329
Capital and net debt	6,066,106	4,373,449
Gearing ratio	61.9%	50.8%

Net debt includes interest-bearing bank and other borrowings, short-term and long-term bonds payable, 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.

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

For the years ended 31 December 2013 and 2012, 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 2013 and 2012 prepared under SFRSs and IFRSs are as follows:

	Note	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
As at 31 December 2013									
Total equity under SFRSs		836,671	322,436	3,622	199,295	1,089,256	60,000	2,571	2,513,851
Share issue expenses	(i)	44,453	–	–	–	(44,453)	–	–	–
Total equity under IFRSs		881,124	322,436	3,622	199,295	1,044,803	60,000	2,571	2,513,851
As at 31 December 2012									
Total equity under SFRSs		836,671	322,436	–	167,873	931,222	63,000	7,230	2,328,432
Share issue expenses	(i)	44,453	–	–	–	(44,453)	–	–	
Total equity under IFRSs		881,124	322,436	–	167,873	886,769	63,000	7,230	2,328,432

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.

47. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 21 February 2014.

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				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
RESULTS					
REVENUE	3,968,946	3,945,584	3,688,233	2,851,403	2,329,607
Cost of sales	(3,221,247)	(3,225,942)	(3,181,860)	(2,487,342)	(2,014,212)
Gross profit	747,699	719,642	506,373	364,061	315,395
Other income and gains	26,302	29,080	23,986	16,664	11,661
Selling and distribution expenses	(82,242)	(69,462)	(70,500)	(38,686)	(16,902)
General and administrative expenses	(275,984)	(202,493)	(136,059)	(104,150)	(110,536)
Other expenses	(9,079)	(22,387)	(20,025)	(8,461)	(11,587)
Finance costs	(95,073)	(82,359)	(78,930)	(53,447)	(36,522)
PROFIT BEFORE TAX	311,623	372,021	224,845	175,981	151,509
Income tax expense	(52,230)	(61,020)	(44,337)	(31,410)	(32,285)
PROFIT FOR THE YEAR	259,393	311,001	180,508	144,571	119,224
Attributable to:					
Owners of the parent	264,052	311,121	180,508	144,571	119,224
Non-controlling interest	(4,659)	(120)	–	–	–
	259,393	311,001	180,508	144,571	119,224
ASSETS AND LIABILITIES					
TOTAL ASSETS	7,302,884	5,117,217	4,187,695	3,195,356	2,910,557
TOTAL LIABILITIES	(4,789,033)	(2,788,785)	(2,126,018)	(1,605,866)	(1,435,914)
	2,513,851	2,328,432	2,061,677	1,589,490	1,474,643

Analysis of Shareholdings as at 4 March 2014

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

Distribution of Shareholdings as at 4 March 2014

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 – 999	6	0.16	1,158	0.00
1,000 – 10,000	2,224	58.25	14,376,177	1.44
10,001 – 1,000,000	1,568	41.07	73,096,805	7.31
1,000,001 and above	20	0.52	912,525,860	91.25
Total	3,818	100.00	1,000,000,000	100.00

Twenty Largest Shareholders as at 4 March 2014

No.	Shareholder's name	No. of shares	%
1	HKSCC NOMINEES LIMITED	752,753,000	75.28
2	BIG DAY LIMITED	49,900,000	4.99
3	DBS NOMINEES PTE LTD	24,835,194	2.48
4	AMFRASER SECURITIES PTE. LTD.	24,170,000	2.42
5	HSBC (SINGAPORE) NOMINEES PTE LTD	21,056,000	2.11
6	DB NOMINEES (SINGAPORE) PTE LTD	5,100,663	0.51
7	DBSN SERVICES PTE LTD	4,765,000	0.48
8	RAFFLES NOMINEES (PTE) LTD	3,734,046	0.37
9	PIONEER TOP HOLDINGS LIMITED	3,490,000	0.35
10	MAYBANK KIM ENG SECURITIES PTE LTD	3,434,957	0.34
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,234,000	0.32
12	PHILLIP SECURITIES PTE LTD	2,380,000	0.24
13	CITIBANK NOMINEES SINGAPORE PTE LTD	2,252,000	0.23
14	DB NOMINEES (HONG KONG) LIMITED	2,000,000	0.20
15	ONG SHEN CHIEH (WANG SHENGJIE)	1,950,000	0.20
16	UOB KAY HIAN PTE LTD	1,931,000	0.19
17	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,769,000	0.18
18	HONG LEONG FINANCE NOMINEES PTE LTD	1,608,000	0.16
19	OCBC NOMINEES SINGAPORE PTE LTD	1,149,000	0.11
20	OCBC SECURITIES PRIVATE LTD	1,014,000	0.10
	Total	912,525,860	91.26

Shareholdings as shown in the Register of Substantial Shareholders as at 4 March 2014

Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Pioneer Top Holdings Limited (“**Pioneer Top**”)	350,794,000*	35.08	–	–
Go Power Investments Limited (“**Go Power**”)	297,734,000**	29.77	–	–
Mr. Liu Xingxu	600,000	0.06	350,794,000*	35.08
Ms. Yan Yunhua	300,000	0.03	297,734,000**	29.77

* Pioneer Top is a company incorporated in the British Virgin Islands. The Chairman and Chief Executive Officer, Mr. Liu Xingxu, holds approximately 42% interest in Pioneer Top, with the remaining approximately 58% held in 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 approximately 16% equity interest, Mr. Li Yushun, Mr. Ru Zhengtao, Mr. Wang Nairen, Mr. Zhang Qingjin, Mr. Zhu Xingye and Mr. Shang Dewei, with approximately 7% equity interest respectively. The shareholdings of Pioneer Top are held in the following manner: (i) 3,490,000 shares are registered in the name of Pioneer Top, and (ii) 347,304,000 shares are held through the nominee, HKSCC Nominees Limited.

** Go Power is a company incorporated in the British Virgin Islands. The Chief Financial Officer and Executive Director, Ms. Yan Yunhua, holds approximately 12.74% interest in Go Power, with the remaining approximately 87.26% held in trust by Ms. 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. The shareholdings of Go Power are held through the nominee, HKSCC Nominees Limited.

Percentage of Shareholdings in Public Hands

As at 4 March 2014, approximately 35.05% of the Company’s shares are held in the hands of the public among which approximately 19.08% are held in the hands of the public in Singapore. Accordingly, the Company has complied with the Rule 723 of the Listing Manual and Rule 8.08 of the Listing Rules.

Information for Investors

Annual Results Announcement

24 February 2014

Annual General Meeting

24 April 2014

Record Date for Final Dividend

9 May 2014

Books Closure Period

Singapore: 7 May 2014 after 5:00 p.m. to 9 May 2014
Hong Kong: 8 May 2014 to 9 May 2014

Final Dividend Payout Date

26 May 2014

Principal Share Registrar in Singapore

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00 Singapore 068898

Branch Share Registrar in Hong Kong

Tricor Investor Services Limited
Before 31 March 2014:
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

With effect from 31 March 2014:
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Stock Codes

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

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Glossary

In this annual report, unless the context states otherwise, the following terms shall have the following meanings:

"AC"	Audit Committee of the Company
"AGM"	Annual General Meeting of the Company
"Articles"	Articles of Association of the Company
"Board" or "Board of Directors"	The Board of Directors
"Company" or "China XLX" or "XLX"	China XLX Fertiliser Ltd.
"Director(s)"	Director(s) of the Company
"EGM"	Extraordinary General Meeting of the Company
"Group"	The Company and its subsidiaries altogether
"Henan XLX Fertiliser" or "Henan XLX"	Henan Xinlianxin Fertiliser Co., Ltd., a wholly owned subsidiary of the Company
"HK CG Code"	The Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Hong Kong Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited
"Listing Manual"	The listing manual of the SGX-ST
"Listing Rules"	Rules Governing the Listing of Securities on the SEHK
"NC"	Nomination Committee of the Company
"PRC" or "China"	The People's Republic of China
"RC"	Remuneration Committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore dollars
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX-ST" or "Singapore Exchange"	Singapore Exchange Securities Trading Limited
"Shareholders"	Shareholders of the Company

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
Hong Kong Stock Code: 1866

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