China XLX Fertiliser Ltd.
中國心連心化肥有限公司*
(Incorporated in Singapore with limited liability)

Hong Kong Stock Code: 1866

* For identification purpose only

High-Efficiency Fertilisers in China

Annual Report 2014

Contents

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.

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.

Committed

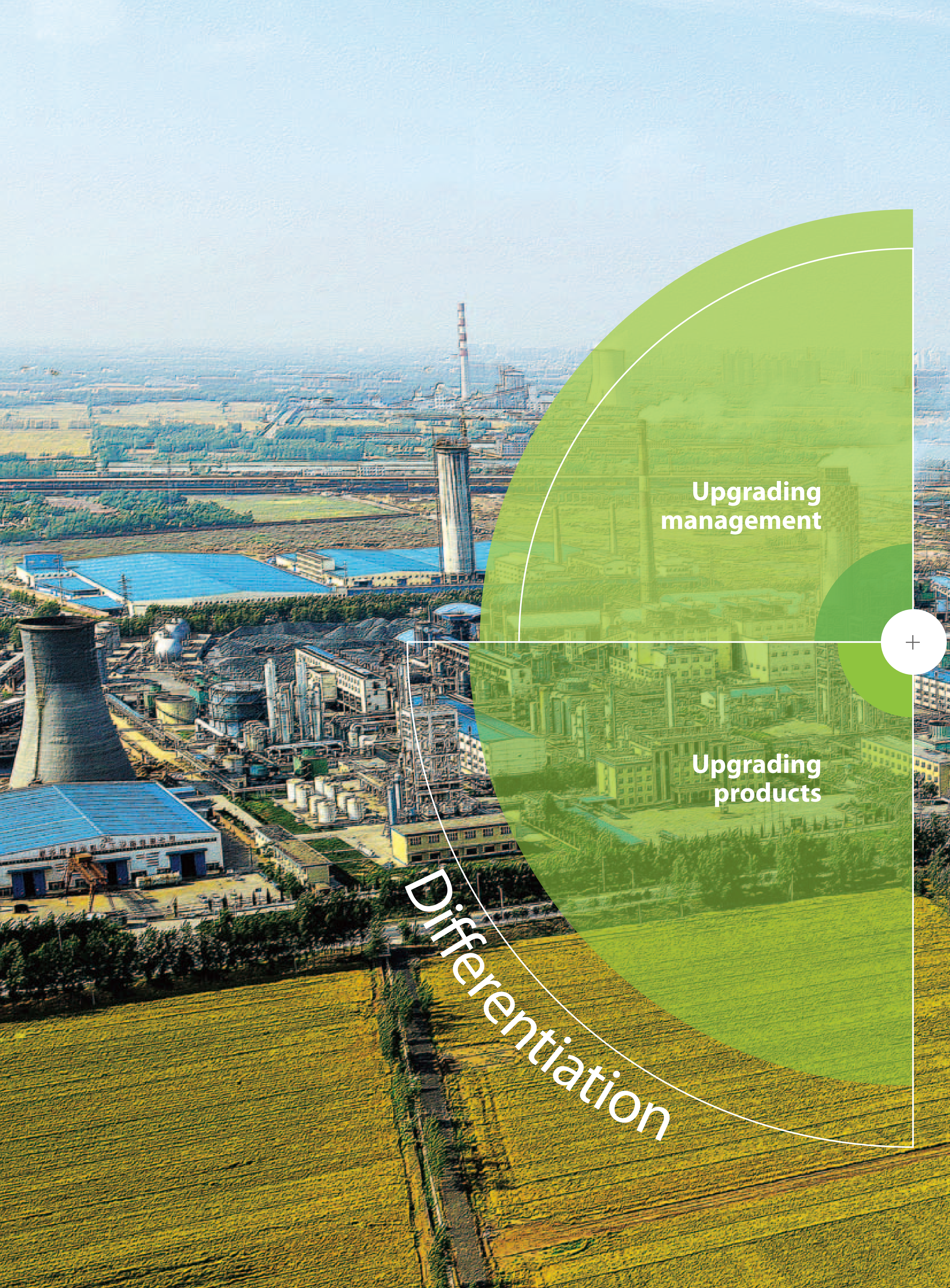
Our dedicated team places strong emphasis on innovation and self-initiative.

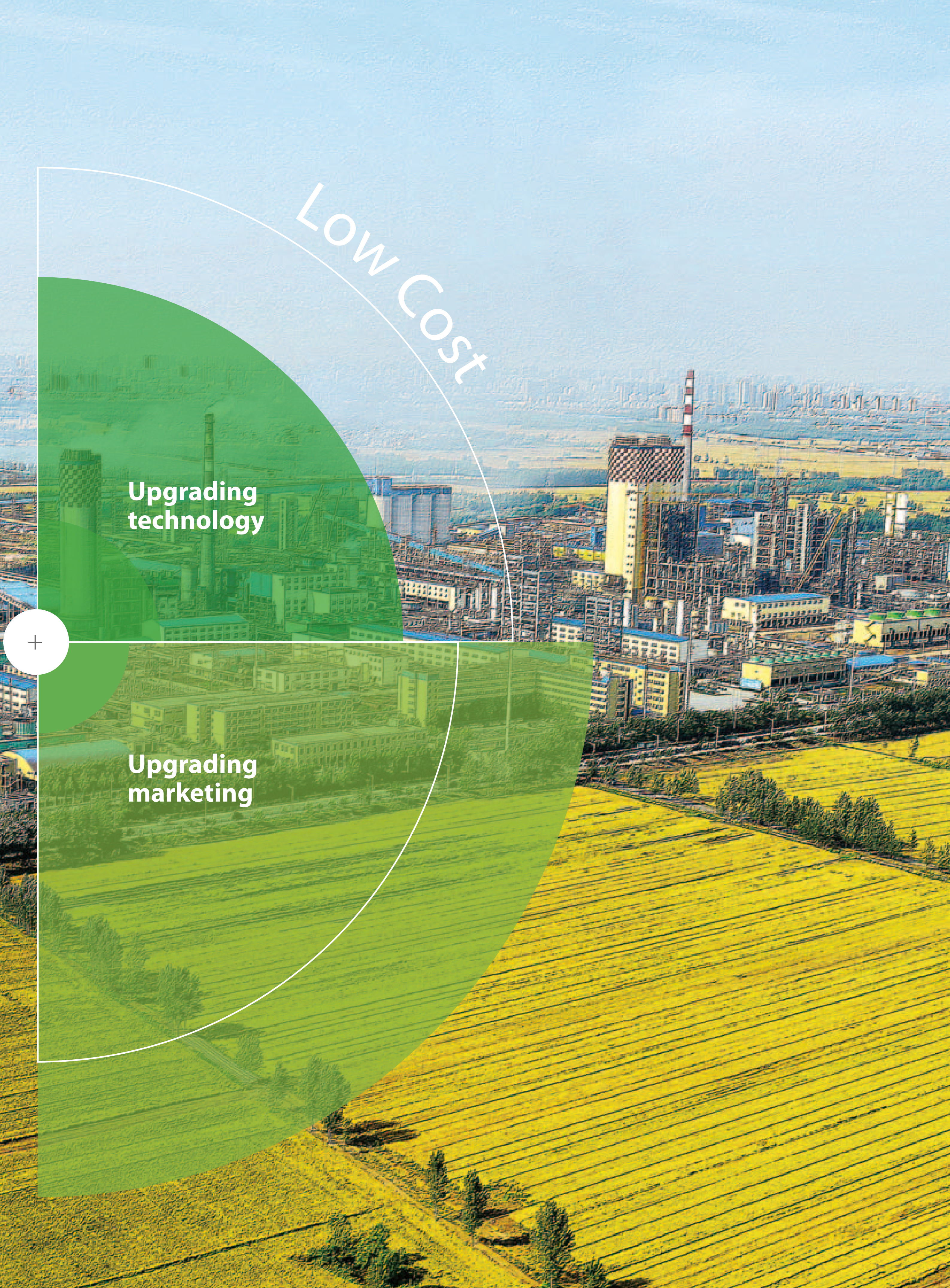
With approximately 30% China XLX's total issued shares held by almost 50% of our employees, the team makes it their priority to be innovative, and to improve efficiency and contribute to cost savings, so as to achieve lower costs but higher profits for the Company.

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.


Upgrading management
Upgrading products
Differentiation


Low Cost
Upgrading technology
Upgrading marketing

Upgrading technology

The Group always adheres to its strategy of driving development with technology and attaches great importance to technical innovations. The Group was recognised as the "**Ammonia Energy Consumption Leader**" award for three consecutive years. Coal gasification technology with Powder Coal System, the most advanced technology in the world, has been adopted in both the newly operated "Urea Plant IV' and the "Plant V" under construction, which strengthens the Group's low-cost advantage. Meanwhile, in order to further implements market-oriented new product development, the Group is currently making preparations for establishing the "**China Nitrogen Fertiliser Industry (XLX) Technology Research Centre**" and the "**Irrigation and Fertilisation Integration Research Centre**".

The Group will conduct brand promotion strategy focusing on "**High-efficiency Fertilisers in China**", strengthen its terminal services, and transform from being "product-driven" to being "service-driven" based on its efficient high-quality products. It will also continue to explore new business models and gradually develop an internet marketing platform.

Upgrading marketing

By sticking to its strategy of combining "low **cost and differentiation**", the Group sped up its technical innovations and upgrades and successively developed and introduced water membrane control release fertiliser, Heiliwang humic acid fertiliser, polyaspartic-based water soluble fertiliser, high polyaspartic-based fertiliser and Jiaduohao tower fertiliser, etc., which are environmentally friendly, efficient and labour-saving in order to build a cluster of high-efficiency fertilisers in China.

Upgrading products


心连心
多层控失科技
inside
水触膜
触水生膜 多层控失
新一代控失肥
抗旱 保水 保肥 增产
甲多好
車用尿素


为了明天更
FOR A BETTER TO

Upgrading management

By sticking to the strategy of the Company, the Group will focus on upgrading its ten main systems including corporate marketing, production, technology, information, logistics, financial and management, in order to further lower cost, increase the technical capability of its products, strengthen the construction of its marketing terminals, improve the scope and quality of specialised services, and strive to become "the most respected enterprise in the chemical fertiliser industry in China".

A Letter to Investors

Looking ahead 2015, 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.

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 the Group in 2014, and to introduce our vision and plans for the coming year.

In the face of slow recovery of the world's economy, greater downward pressure on the PRC economy and loss made by many players in the chemical fertiliser industry in 2014, the Group responded by taking a series of measures. While continuing its operation at low cost, the Group sped up its innovation upgrade, emphasized its product differentiation strategy, put greater efforts in brand promotion and marketing, continued to improve the sales volume and profit of its products with high-tech elements. Meanwhile, the Group's fourth production plant ("**Urea Plant IV**") located at Qinglong Road, Xinxiang Economic and Technology Development Zone, Henan Province, PRC operated smoothly and started to contribute returns to the Group. Considering both Shareholders' benefits and return, the Board declared a final dividend of RMB6 cents per share for the financial year ended 31 December 2014 ("**FY2014**").

In the past year, we had some breakthrough developments regarding corporate size, production and operation, product upgrade, brand promotion and so on:

- **Henan XLX was recognised as the "Ammonia Energy Consumption Leader" for three consecutive years, indicating the Group's leading position in the industry in terms of energy saving and efficiency enhancement.**

- Henan XLX was authorised to establish the "China Nitrogen Fertiliser Industry (XLX) Technology Research Centre" (中國氮肥工業（心連心）技術研究中心) and the "Irrigation and Fertilisation Integration Research Centre" (水肥一體化研究中心), which further expanded the technology platform of the Company, improved its research and development capability and developed its product differentiation strategy.

- Through collaboration with renowned research institutes and universities in China, Henan XLX successfully developed a series of environmentally-friendly high-efficiency fertilisers such as control release fertiliser, humic acid fertiliser, high polyaspartic-based fertiliser and water soluble fertiliser, and its self-developed vehicle urea products successfully passed examinations by authoritative institutions, which further enriched the Company's product mix, improved the technology level of its products and enhanced its overall profitability.

- The tower compound fertiliser product line with an annual capacity of 200,000 tons invested and constructed by the Group successfully commenced production. The tower compound fertiliser product line adopts advanced production processes and is featured by lower costs, better performance and higher profitability. Following its production commencement, the Group's total annual capacity of compound fertilizers increased to approximately 1,100,000 tons. Further expansion of compound fertilizer production capacity will facilitate the rapid development of the differentiated products of the Company.

The Group will continue to enhance its operation and management and strengthen its advantages in technology and cost-efficiency in the industry, and put great efforts in implementing product differentiation strategy. The Group will also capture opportunities brought by market integration, so as to strengthen China XLX, thus become the "most respected enterprise in the chemical fertiliser industry in China".

- **The Group continued to innovate its marketing model by independently developing highly efficient e-commerce, logistics information, agrochemical services management platform, while cooperating with professional agricultural electronic business to strive to provide its customers with fastest and most satisfying services.**

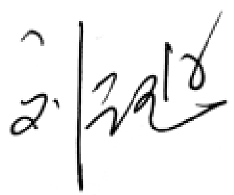
- **Following the release of the Group's brand strategy of "High-efficiency Fertilisers in China", Henan XLX continued to work with CCTV and re-appointed Mr. Tang Guoqiang, a renowned performance artist as its spokesman to further promote its products image and improve its brand influence.**

Meanwhile, the construction of the Group's fifth production plant ("**Plant V**") located at Manas, Xinjiang, progressed as planned and will hopefully commence production in the second half of 2015. By then, the Group will have an annual production capacity of 2,600,000 tons of urea, 1,100,000 tons of compound fertilisers, 300,000 tons of methanol and 60,000 tons of melamine. While the Group kept growing its core business of chemical fertilisers, it also engaged in upstream for coal resources, the downstream for product chain and the fine coal chemical industry thus enabling the Group's diversified development.

Under the section "Investor Relations" in this Annual Report 2014, 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. 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.

Being one of the largest listed private enterprises in the chemical fertiliser industry in the PRC with the highest percentage of shareholding by employees, the Group devotes itself not only to being a "**leader in cost efficiency**", but also as a producer of "**High-efficiency Fertilisers in China**". The Company will proactively shoulder more corporate responsibility in leading the industry, supporting the continuous exploration of high-efficiency fertilisers and agricultural science, rewarding farmers and serving the community, with higher standards. Besides, the Group will continue to enhance its operation and management, and strengthen its advantages in technology and cost-efficiency in the industry, and put great efforts in implementing product differentiation strategy. The Company will also capture opportunities brought by market integration, so as to strengthen China XLX, thus become the "**most respected enterprise in the chemical fertiliser industry 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, because we share not only products but also hearts.

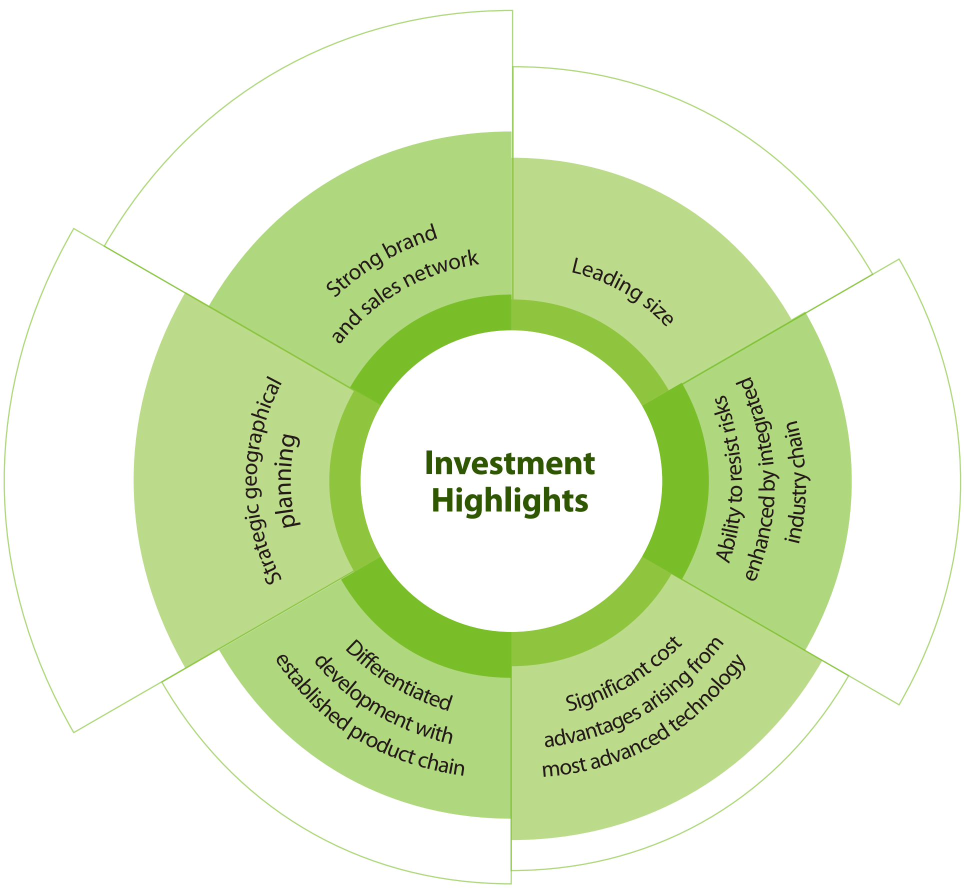


LIU Xingxu
Chairman of the Board
27 March 2015

Company Profile

leading enterprise in the PRC chemical fertiliser industry	largest single scale urea producer in the PRC	largest non-state-owned urea producer in the PRC
lowest unit consumption among the PRC coal-based urea producers (recognised as "Ammonia Energy Consumption Leader" for three consecutive years)	New/High Tech Enterprise in the PRC (enjoying preferential income tax rate of 15%)	pioneer in the PRC control release fertiliser market

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 headquarters and principal place of business is located in Xinxiang High Technology Development Zone, Henan Province, the PRC. In terms of capacity and efficiency, the Group is now one of the largest and most cost-efficient coal-based urea producers in the PRC, aiming to become the "**the most respected enterprise in the chemical fertilise industry in China**". The principal activities of its subsidiary, namely Henan XLX, are research and development, manufacturing, sales and trading of urea, compound fertiliser, methanol and related differentiated products. Currently, its annual production capacity of urea, compound fertiliser and methanol are 2,100,000 tons, 1,100,000 tons and 300,000 tons, respectively. The Company is currently building Plant V in Xinjiang, which is expected to commence trial production in 2015. From then onward, the Group's annual production capacity of urea will exceed 2,600,000 tons. China XLX has been listed on the Main Board of the Hong Kong Stock Exchange since 8 December 2009 with stock code "**1866**".



Corporate Information

Board

Executive Directors

LIU Xingxu *(Chairman of the Board & Chief Executive Officer)*
YAN Yunhua *(Chief Financial Officer)*
ZHANG Qingjin (appointed on 27 March 2015)
LI Buwen (resigned on 27 March 2015)

Non-executive Director

LIAN Jie

Independent Non-executive Directors

ONG Kian Guan
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

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 Advisors

Reed Smith Richards Butler (Hong Kong)
Hiways 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 Code

Hong Kong Stock Code: 1866

Corporate Website

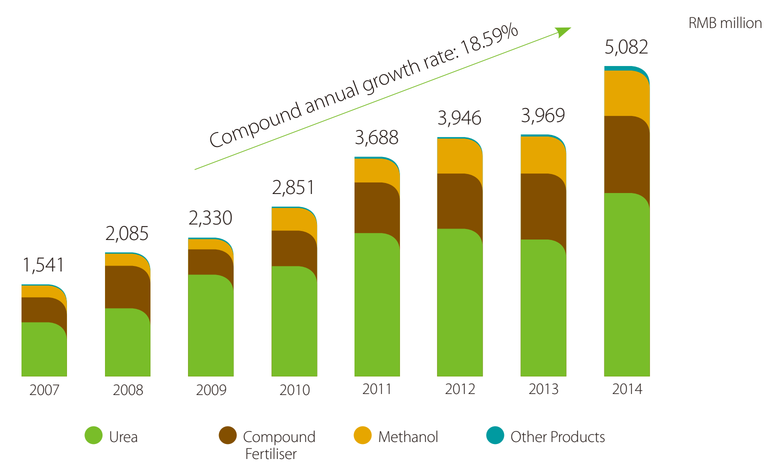
www.chinaxlx.com.hk

Financial Highlights

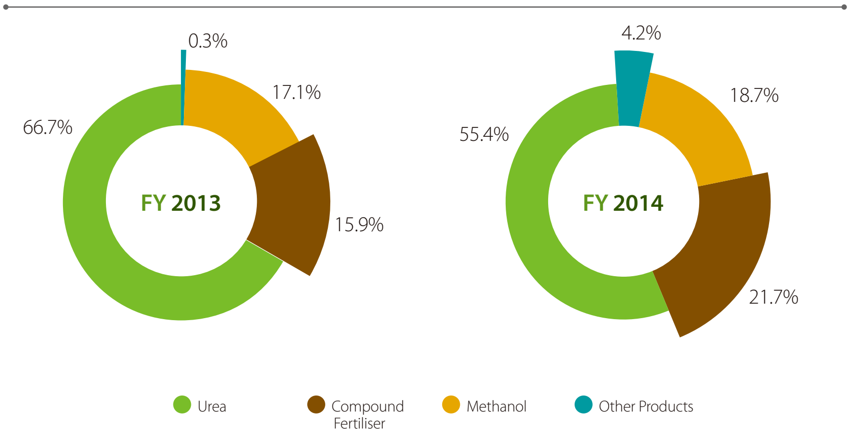
Results performance of 2014

(RMB million)	2013	2014	Change (%)
Revenue	3,969	5,082	28
Cost of sales	(3,221)	(4,183)	30
Gross profit	748	899	20
Profit before tax	312	285	(9)
Income tax expense	(52)	(49)	(6)
Profit after tax	259	237	(9)
Basic and diluted earnings per share (RMB cents)	22.45	20.48	(9)
Shareholders' equity per share (RMB)	2.51	2.67	6
Dividend per share (RMB cents)	6.00	6.00	-
Gearing ratio (%)	61.9	69.97	13

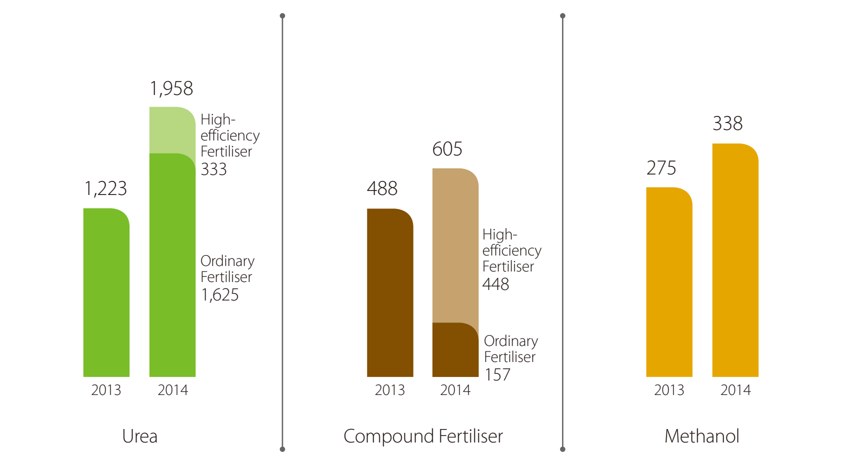
Total revenue continued to grow steadily



Gross profit breakdown by segment



Sales volume breakdown by segment ('000 tons)



Major Events in 2014

January

Partnership with Beijing University of Chemical Technology was established and an engineering master class was set up

February

The Company held a press conference to announce its final results for 2013

March

A special examination group of the Safety Commission of the State Council came to the Group and gave directions on the Group's work

April

Mr. Li Yushun, the chief engineer and deputy general manager of the Group, was recognised as a "Model Worker of Henan Province"

May

Henan XLX was recognised as "**China's Private Chemical Demonstration Enterprise in Transformation**" (中國民營化工轉型升級示範企業) (the only winner in Henan Province)

Mr. Liu Xingxu, the Chairman of the Board and the Chief Executive Officer, received an "**Innovation Achievement Award for Private Entrepreneur in Petroleum and Petrochemical Industry in the PRC**" (中國石油和化工優秀民營企業家創新成就獎)

June

Henan XLX was recognised as the "**Ammonia Energy Consumption Leader**" for three consecutive years

July

Henan XLX was recognised as "**Class A Creditworthiness Taxpayer**" award

Henan XLX passed the selection of participants for pilot intellectual property rights management in Henan Province

August

Henan XLX improved its product differentiation by successfully launching "**humic acid urea**"

The Company was formally delisted from the Singapore Exchange

September

Henan XLX received a national invention patent, "**Environmentally-friendly, Low cost, Endoplasm Package Slow Release Urea**" (環境友好低成本內質包裹型緩釋尿素) for its new control release fertiliser technology jointly developed with China Academy of Sciences

Henan XLX was authorised by China Nitrogen Fertilizer Industry Association to establish the "**China Nitrogen Fertilizer Industry (XLX) Technology Research Centre**"

Henan XLX received two awards issued by the Chemical Fertiliser Committee of Chemical Industry and Engineering Society of China, being "**2014 Gold Reputation Enterprise among the PRC Chemical Fertiliser Brands**" and "**2014 Gold Reputation Enterprise among the PRC Agrochemical Services Providers**"

October

Henan XLX was selected as a "**Intellectual Property Rights Management Pilot Unit in Henan Province**" by the Intellectual Property Office of Henan Province

Henan XLX received the "**Enterprise Environment Credit Rating AAAAA Level in Henan Province**" award

November

The Group's vehicle urea products passed examinations of authoritative institutions

Henan XLX was named an "**Advanced Enterprise in Implementing Performance-based Management Model in China**"

Mr. Tang Guoqiang, a renowned performance artist, renewed its agreement with the Company to act as the spokesman of the Group

December

The Group once again drew attention from CCTV – "Innovations in control release fertiliser leading industry development"

The "Marketing Transformation•Service Upgrade•XLX 2015 Marketing Summit" (營銷轉型 • 服務升級 • 心連心 2015 營銷峰會) was successfully held

The Group successfully launched environmentally-friendly, high-efficiency "**water membrane control release fertiliser**" (水觸膜控失肥)

Chairman’s Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited financial statements of the Group for FY2014 to the Shareholders.

Final Results

Maintaining Stable Revenue Growth

In 2014, the revenue of the Group was approximately RMB5,082 million, representing a year-on-year growth of 28%. Net profit amounted to approximately RMB237 million, representing a year-on-year decrease of 8.5%. Overall profit margin was 17.7%, representing a year-on-year decrease of 1.2 percentage points.

Dividends and Dividend Payout Ratio

The Board proposed the payment of a final dividend of RMB6 cents per share for FY2014 (2013: RMB6 cents per share) on 10 July 2015 to Shareholders whose names appear on the Company’s Register of Members on 19 June 2015. The dividend payout ratio was 25% of profit after tax. The dividend payout ratio has remained above 20% of net profit after tax of the Group for eight consecutive years from 2007 to 2014.

Production and Operating Conditions

Production and Operation Remained Stable

In 2014, the Group’s plant I, plant II and plant III ceased production for maintenance for 21 days, 9 days and 23 days respectively. Under such circumstances, the Group endeavoured to enhance operation efficiency through technological reform. Furthermore, the Group’s “**Urea Plant IV**”, which commenced operation in late 2013, achieved stable and efficient operation. As a result, the Group successfully secured an annual urea production outputs of over 2,170,000 tons. The overall utilisation rate of production facilities arrived at 103%. Driven by a highly improved gross profit margin, the capacity utilisation rate of methanol stood at 132%.

Urea

In 2014, as the whole urea industry remained sluggish, the Group’s revenue derived from the sales of urea amounted to approximately RMB3,005 million, representing a year-on-year increase of 33%. Although sales volume of urea increased by 60% during the year to approximately 1,960,000 tons, average selling price dropped by 17% to RMB1,535 per ton. Under the Group’s vigorous cost control and the influence of the weak coal prices, during the year under review, the average sales cost of urea reduced by 11% as compared with the previous year, partially offsetting the decline in selling prices. The gross profit margin of the urea business slightly declined from approximately 22% in 2013 to approximately 17% in 2014.

Compound Fertiliser

An increase in the gross profit margin of compound fertiliser was recorded for the year, rising from approximately 11% in 2013 to approximately 16% in 2014. This was mainly due to the decrease in average cost of sales of compound fertiliser by approximately 13% and was partially offset by the decrease in average selling price by approximately 8%.

Methanol

The gross profit margin of methanol increased from approximately 21% in the financial year ended 31 December 2013 (“**FY2013**”) to 25% in FY2014. This was mainly due to the sustained low price of the raw material, coal, and higher selling price stimulated by downstream demand. The Group actively adjusted its urea and methanol production plan by increasing methanol production, which has contributed to the year-on-year increase of 23% in methanol sales volume during the year to 338,000 tons and maximised the interests of the Group.

Development Strategies

Strategic Planning

The Group will adhere to its strategy of "**low cost and differentiation**", make full use of driving forces of "**technical upgrade**", "**marketing upgrade**", "**product upgrade**" and "**management upgrade**", further lower cost, improve technology level of its products, enhance the building of its marketing channels, improve the scope and quality of its specialty services, and highlight its brand positioning as "**High-efficiency Fertilisers in China**".

Development Directions

The Group will stick to its development of coal chemicals. 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.

We will further make fertiliser business, our core business, bigger and stronger. Relying upon 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 product mix 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 high-efficiency products, highlighting the features of polyaspartic-based products, control release fertiliser, humic acid fertiliser, ordinary fertiliser, 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 compound fertiliser, slow release chemical fertiliser, and BB fertiliser.

2. **Coal chemical and its diversification:** We focus on clean coal gasification to expand coal-based chemical products.

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 eight board meetings in the year 2014 to review and approve matters including the quarterly results reports, interim report, annual report, dividend payout ratio, connected transactions and development 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 2014, the Company continued to engage Pricewaterhouse Coopers 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 thereby enhancing operational efficiency.

Investor Relations

The Group highly values its relationship with its investors and communicates with them through a number of channels. It 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. 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 2015. My confidence is founded on several factors as below:

- **More supportive government policies from the State favouring agricultural industry development.**

  Policy support is mainly reflected in the investments in agriculture, rural areas and farmers, increase in the minimum procurement prices for grains and direct subsidies to farmers. In 2014, the State's investments in agriculture, rural areas and farmers amounted to almost RMB1.5 trillion, and the minimum procurement prices for grains were further raised to motivate farmers in planting grains. As a result, grain output continued to grow in recent years. These favourable policies for agriculture will continue in 2015. China's strategy of focusing on agricultural development has laid a solid foundation for the development of the chemical fertiliser industry. In addition, the State continued to introduce various policies and measures to support agricultural development, not only for the sake of agricultural safety but also to encourage the development of modern agriculture. With the development of large-scale land operation and improvement in awareness of farmers, the connection of enterprises and consumers in logistics, information, funding and technical services will be easier, which will in turn benefit fertiliser producers in developing high-efficiency market.

- **Marketization policies in the fertiliser industry favours the development of leading coal-based urea producers.**

  - **Uniformed natural gas pricing mechanism:** With effect from 1 April 2015, natural gas pricing mechanism will become uniformed across China. For all provinces, the maximum gate price of existing supply of natural gas will decrease by RMB0.44 per cubic metre; the price of natural gas for use in fertilisers will increase by RMB0.2 per cubic metre; and the maximum gate price of incremental supply of natural gas will increase by RMB0.04 per cubic metre. The uniformed pricing mechanism for existing supply and incremental supply of natural gas has paved the way for the development of market-based pricing of natural gas.

  - **Gradual removal of subsidy policies for the chemical fertiliser industry:** This will effectively speed up industry consolidation, while leading coal-based urea producers, in particular those with low coal and electricity consumption, will enjoy a more significant advantage.

  - **Higher barrier to entry for new construction of plants:** The National Development and Reform Commission requires that a newly constructed synthetic ammonia urea plant must have an annual production of over 500,000 tons and be equipped with coal gasification technology.

- **Adjustments to the policies on tariffs for exported fertilisers will help to improve the global competitiveness of China's fertiliser products.**

  The adjustment to the policies on tariffs for exported fertilisers in 2015 removes the classification of low and high seasons for exported fertilisers and implements a uniformed taxation amount or rate throughout the year. Tariff for exported urea is RMB80/ton throughout the year. The relaxation of tariff will relieve the problem of excessive capacity in the PRC and improve the global competitiveness of products from domestic producers.

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

1. Corporate Expansion with Cost Efficiency Enhanced

In 2014, the Group's "**Urea Plant IV**" located in Henan, which adopts the new technology of "gasification of coal powder" and has an annual production capacity of 800,000 tons, operated smoothly. In addition, the Company accelerated its technical transformation and upgrade. Its "**4-in-1**" **tower project**, currently the most advanced in the PRC, commenced full production, further enhancing the Group's overall cost effectiveness. It is worth mentioning that Henan XLX was recognised as the "**Ammonia Energy Consumption Leader**" for three consecutive years, ranking no.1 in the industry in terms of cost control. Moreover, following its establishment of a "**postdoctoral research station**" with approval in 2013, Henan XLX was authorised by China Nitrogen Fertilizer Industry Association to establish the "**China Nitrogen Fertilizer Industry (XLX) Technology Research Centre**" in 2014, which indicates that our research and development capacity stands at the forefront of the coal chemical industry.

On the other hand, the Group's "**Plant V**", located in Xinjiang, is progressing as scheduled and will hopefully commence trial production in 2015. By then, the Group will have a total annual urea production capacity of more than 2,600,000 tons, further consolidating its position as the largest single scale urea production unit in the PRC and the largest non-state-owned urea producer in the PRC. As for technology aspect, new raw materials and production process will effectively lower the Group's production costs and lay a solid foundation for the Group to maintain its position as the leader in the industry in terms of cost control.

2. Product upgrade and innovations to build a cluster of high-efficiency fertilisers

As society develops, new types of fertilisers that are environmentally-friendly and highly efficient have become the development trend in modern agriculture. By adhering to its strategy of combining "**low cost and differentiation**", the Group focused on technical innovations and accelerated its product upgrade. Early in 2006, the Group started to cooperate with technical institutes and universities such as Chinese Academy of Sciences, Chinese Academy of Agricultural Sciences and Henan Agricultural University and has developed and promoted a series of environmentally-friendly, highly efficient and labour-saving fertilisers such as water membrane control release fertiliser, Heiliwang humic acid fertiliser, polyaspartic-based water soluble fertiliser, high polyaspartic-based fertiliser, Jiaduohao tower fertiliser, in order to build a comprehensive cluster of high-efficiency fertilisers.

3. Image building of "High-efficiency Fertilisers in China " with branding and enhanced marketing

In 2014, the Group conducted activities focusing on building its brand image as "**High-efficiency Fertilisers in China**", strengthened its terminal services in a market-and-customer-oriented manner, continued to implement innovative marketing model and carried out upgraded marketing. As a result, a marketing model suitable for the Company has been initially established.

In 2014, the "**Economy Time**" of CCTV reported twice, highlighting the experience and achievements of the Company in terms of combination of production, study and research and coal chemicals development. In addition, the Company's brand image as "**High-efficiency Fertilisers in China**" has been established and further improved through state-level authoritative media (the weather forecast program of CCTV) and "Mao Zedong", a TV drama of CCTV aired early this year featuring Mr. Tang Guoqiang, our brand spokesman.

In 2015, the Group will continue to partner with the weather forecast program of CCTV, put greater efforts in advertising in provincial TV stations and terminal promotion and marketing, build its brand image of "**High-efficiency Fertilisers in China**", and strive to achieve a significant improvement in the influence and reputation of our Xinlianxin brand.

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. Leveraging on the excellent team at the agriculture 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 who have been caring for and supporting us. In 2015, the Group's management and staff will work cohesively under the leadership of the Board to endeavour to achieve better performance and investment returns for the Shareholders through its strategy of "**low cost and differentiation**".

LIU Xingxu
Chairman of the Board
27 March 2015

Corporate Social Responsibility

While pursuing the best possible profitability, the Group considers it a priority to perform corporate social responsibility, safeguards interests of our Shareholders, employees, customers, business partners and the society in general, treats our suppliers, customers and staff in good faith, strives 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 Group has successfully obtained "**ISO14001 certificate under Environmental Protection Management System**" and "**ISO18001 certificate under Occupation Health Safety Management System**" respectively years ago.

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 2014, the Group allocated RMB35.5 million on environment protection, of which RMB5.50 million was used in flue gas denitration and defogging upgrade projects to lower emission of nitrogen oxides and flue gas; RMB26 million was used in constructing reclaimed water recycling and concentrated water pre-treatment projects which save primary water and lower pollutant output; and RMB4 million was used in stripping waste liquid recycling, backwashing water recovery and gasified water classification and use projects project, which enable classification and use of water resources. This 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**", an "**Exemplary Unit for Innovation on Energy-saving & Emission Reducing Technology in Henan Province**", and recognised as "**Ammonia Energy Consumption Leader**" for three consecutive years. 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

The Group places great emphasis on production safety. It spent huge money in introducing DuPont safety management model in 2014 and conducted key tasks such as DuPont safety culture and philosophy, behaviour safety, equipment safety and process safety, which represents its step forward towards the world's advanced safety management standard.

In 2014, the Group continued to improve its safety management by putting greater efforts in the treatment of potential safety hazards at its production sites, improving its safety operation standards, enhancing trainings and education on safety, implementing pre-operation safety introduction and arrangement and continuing enhance effective management tools for dedicated safety management personnel.

As for occupational health of its 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 2014.

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 2014, the Group paid RMB124 million taxes in total and was recognised as "**Class A Creditworthiness Taxpayer**". 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 RMB241,000 in 2014.

(1) Business Review

Production profile of the Group in 2014:

Output:

As of the end of 2014, the total output of urea from the Group for the year reached 2,165,000 tons. The total output of compound fertiliser and methanol for the year reached 649,000 tons and 395,000 tons respectively.

Utilisation rate of production facilities:

	For the year ended 31 December					
	2014			2013		
	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	**2,100**	**2,165**	**103**	1,250	1,347	108
Compound fertiliser	**950**	**649**	**68**	750	525	70
Methanol	**300**	**395**	**132**	200	273	137

Coal and power consumption:

	For the year ended 31 December	
Coal consumption (ton)	**2014 Per ton of urea**	2013 Per ton of urea
Feed coal	**0.613**	0.626
Fuel coal	**0.120**	0.131
Total coal consumption	**0.733**	0.757

	For the year ended 31 December	
Power consumption (kwh)	**2014 kwh per ton**	2013 kwh per ton
Urea	**740**	741
Compound fertiliser	**22**	22
Methanol	**835**	839

Financial Review

(I) BUSINESS REVIEW

Revenue

Revenue for FY2014 increased by approximately RMB1,113 million or approximately 28% from approximately RMB3,969 million in FY2013 to approximately RMB5,082 million. Such increase was mainly due to the increase in sales volume of urea, methanol and compound fertiliser.

Urea

Revenue derived from the sales of urea increased by approximately RMB747 million or approximately 33% from approximately RMB2,258 million in FY2013 to approximately RMB3,005 million in FY2014. The sales volume of urea was increased by approximately 60% in FY2014. Such increase was mainly due to the commencement of production of the Urea Plant IV. The increase in sales volume was partially offset by the decrease in average selling prices of urea of approximately 17%.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB71 million or approximately 12% from approximately RMB601 million in FY2013 to approximately RMB672 million in FY2014. Such increase was mainly due to the increase in the sales quantity by approximately 23% despite the decrease in the average selling prices of methanol of approximately 11%. The increase in sales volume of methanol was mainly due to the adjustment of production plan between urea and methanol to produce more methanol in order to achieve better financial results.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB150 million or approximately 14% from approximately RMB1,096 million in FY2013 to approximately RMB1,246 million in FY2014. Such increase was mainly due to the increase in sales volume of approximately 24% from the expansion of sales network. The increase was partially offset by the decline in the average selling prices of compound fertiliser of approximately 8%.

Profitability

Overall profit margin decreased from 19% in FY2013 to 18% in FY2014 due to the decrease in urea gross profit margin.

Urea

Gross profit margin of urea decreased from approximately 22% in FY2013 to 17% in FY2014 due to the lower average selling prices of urea in FY2014 which was decreased by approximately 17% as compared against that of FY2013. The decrease in average selling prices was partially offset by the decrease in average cost of sales of approximately 11%.

Methanol

Gross profit margin for methanol increased from approximately 21% in FY2013 to 25% in FY2014 despite the decrease in the average selling prices of methanol of approximately 11% in FY2014. This was due to the lower coal prices which cut down the average cost of sales for methanol by about 16% in FY2014 as compared against that in FY2013.

Compound fertiliser

Gross profit margin for compound fertiliser increased from approximately 11% in FY2013 to 16% in FY2014. This was mainly due to the decrease in average cost of sales of compound fertiliser by approximately 13% resulted from the decline of raw material prices. The increase of gross profit margin was partially offset by the decrease in average selling prices of approximately 8%.

Other income and gains

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

Selling and distribution expenses

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

General and administrative expenses

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

Other expenses

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

Finance costs

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

Income tax expense

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

Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by approximately RMB23 million or 9% from approximately RMB264 million in FY2013 to approximately RMB241 million in FY2014. This was mainly due to the increase in selling and distribution expenses and finance costs of approximately RMB116 million and RMB123 million respectively. The decrease in profit attributable to owners of the parent in FY2014 was partially offset by the increase in gross profit of RMB151 million and the decrease in general and administrative expenses and income tax expense of approximately RMB33 million and RMB3 million respectively.

Important event since the end of FY2014

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

(II) FINANCIAL REVIEW

Gearing

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

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

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

Loans

Amounts payable in one year or less, or on demand

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

Amounts payable after one year

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

Details of collateral

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

(III) PROSPECTS

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

With the implementation of a product differentiation strategy, we have enhanced our research and development capabilities and increased the proportion of high-efficiency fertilisers in our sales in order to increase the profitability and competitiveness of our fertiliser products. After two years of demonstration and promotion, the sales of high-efficiency fertilisers have been increased continuously. The Group jointly developed a series of high-efficiency fertilisers with the Chinese Academy of Sciences, such as endoplasmic coated control release fertiliser, humic acid fertiliser and polyaspartic-based fertiliser etc. The development and sales of these high-efficiency fertilisers will help the Group to overcome the impact of the industry cyclical changes. The Group's "**China Nitrogen Fertiliser Industry (XLX) Technology Research Centre**" and the "**Irrigation and Fertilisation Integration Research Centre**" have been approved and are under construction. When these come into operation, the Group's technology advantage and research and development capability of high-efficiency fertilisers will be further improved.

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

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

(IV) PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB6 cents per share for the year ended 31 December 2014 (the "**Proposed Final Dividend**") (2013: RMB6 cents per share), subject to the shareholders' approval at the forthcoming AGM.

(V) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

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

(vi) Liquidity Risk

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

(vii) Gearing Risk

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

2. Contingent Liabilities

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

3. Material Litigation and Arbitration

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

Board of Directors and Senior Management

Board of Directors

Executive Directors

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

Aged 60, 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 an 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 expert consultant of the Advisory Committee 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 XLX Chem from July 2003 to July 2006. He has been the general manager of Henan XLX 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)". In May 2014, he was awarded the "China Petroleum & Chemical Outstanding Private Entrepreneurs Innovation Award". 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 44, is principally in charge of all financial matters within our Group. Ms. Yan was appointed as an 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 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 Association of CFO. 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 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. ZHANG Qingjin

Aged 48, is principally in charge of overall administrative functions of our Group. Mr. Zhang was appointed as an executive Director on 27 March 2015. Mr. Zhang has been the executive deputy general manager of Henan XLX since July 2011, and was the deputy general manager of Henan XLX since November 2006. He has over 20 years of experience in the chemical fertiliser industry. He is currently the vice chairman of China Nitrogen Fertiliser Industry Association. 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, section head of equipment and facility upgrade and 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 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.

Non-executive Director

Mr. LIAN Jie

Aged 40, has been appointed as a non-executive Director since 21 December 2011. Now he is a partner of Primavera Capital Group, a private equity fund which focuses on China. Mr. Lian currently is an independent non-executive director of Bona Film Group Limited (a company listed on NASDAQ Stock Market). Mr. Lian has also been appointed as an independent non-executive director of Bosideng International Holdings Limited (a company listed on the Hong Kong Stock Exchange) since 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 in 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 47, has been appointed as an 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"), and also a partner with Baker Tilly TFW LLP. 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 Alliance Mineral Assets Limited (appointed on 20 June 2014). He was an independent director of Asia Fashion Holdings Limited (a company listed on the SGX-ST) from July 2013 to March 2014 and an independent non-executive director of China Animal Healthcare Ltd. (a company listed on the Hong Kong Stock Exchange) from December 2007 to June 2014. Mr. Ong graduated from the Nanyang Technological University in Singapore with a bachelor of accountancy degree in May 1992.

Mr. LI Shengxiao

Aged 52, has been appointed as an 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, and is currently the Head of Regional Development Research Centre in 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 has been appointed as an independent director of Bank of Shaoxing Co., Ltd since November 2013. Mr. Li is also an independent director of Anhui Jiangnan Chemical Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and Zhejiang China Light & Textile Industrial City Group Co., Ltd (a company listed on the Shanghai Stock Exchange; appointed on 30 September 2014). 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 48, has been appointed as an 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 Luzhou Bio-chem Technology Limited and CFM Holdings Limited, both companies are listed on the SGX-ST. 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. RU Zhengtao

Aged 58, is the deputy general manager in charge of production department of Henan XLX 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 54, is the deputy general manager in charge of the research and development department of Henan XLX 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 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 Integrated Treatment and Environmental Protection Project for Zero Discharge of Waste Water Produced in the Production of Nitrogen Fertiliser" by China Nitrogen Fertiliser Industry Association. He was recognised as a "Model Worker of Hehan Province" in April 2014.

Mr. WANG Nairen

Aged 51, is the deputy general manager in charge of the sales and purchasing of Henan XLX 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 52, has been the deputy general manager in charge of marketing and strategy department of Henan XLX 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 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 48, 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 46, 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 17 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 2014, the Company continued to strengthen its efforts in maintaining 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.

Expanded Size, Upgraded Products and Robust Share Price Performance

In 2014, against the background of excessive supply, disorderly market competition and lack of confidence in liquidity links, over 80% of players in the nitrogen fertilizer industry made loss. By sticking to its strategy of combining "**low cost and differentiation**", China XLX leveraged its strengths in cost control, results generated by the "**Urea Plant IV**", which commenced operation, and "**tower compound fertiliser project**", as well as continuous technology innovations and product upgrade to develop and promote a number of environmentally-friendly high efficiency fertilisers such as water membrane control release fertiliser, Heiliwang humic acid fertiliser, polyaspartic-based water soluble fertiliser, high polyaspartic-based fertiliser, and Jiaduohao tower fertiliser. With its enriched product mix, the sales volume and profit of its products with high technology elements continued to improve, ensuring its share price to remain robust.

Multiple-channel, Comprehensive Investor Relations Activities

During 2014, the Company continued to conduct comprehensive communication with investors through a number of channels, communicate its development philosophy and strategies, growth progress and latest updates and results on operation and management, 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, non-deal roadshows, site visits by investors. Further, the Company also developed various user-friendly promotion and communication platforms such as website, WeChat, weibo, electronic investment relations monthly publications, covering industry policies, information on listed companies in the industry, corporate news and announcements.

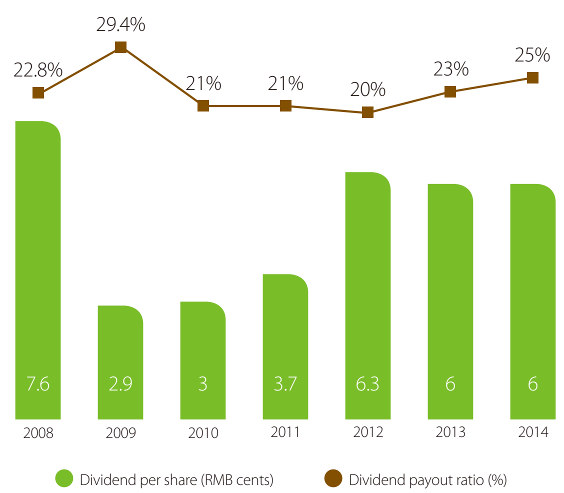
Meanwhile, according to the needs and styles of different analysts and investors, the Company flexibly and proactively arranged senior management to participate in various investor relations activities. During 2014, the Company's senior management including the Chairman and the Chief Financial Officer participated in plenty of investor activities to fully communicate with the capital market, which realised multi-channelled communications. Besides holding press conferences after results announcement in each quarter, the Company also attended various investor forums organised by a number of investment banks and funds in 2014 , and conducted one-on-one meetings and conference calls regularly, and made interactive communication with almost 300 investors and analysts throughout the year. Meanwhile, we attach great importance to investors' onsite visits, and arranged over twenty plant visits to the headquarters of the Group in 2014, including two batches of important investors, analysts and stock commenters to visit the Group's second production base located at Xinjiang in September, so as to gradually give investors and analysts a better idea of the business and operations of the Group.

Timely, Just, Fair and Accurate Information Disclosure

The Company has been in strict compliance with the information disclosure principles for listed companies by making timely, just, fair and accurate information disclosure, which has helped to improve the transparency of the Company, establish a smooth communication channel and enhance its interaction and communication with the capital market. In 2014, the Company published more than 50 announcements, circulars and notices. Such publications have objectively and comprehensively disclosed information regarding the Company's results, operating performance, financial information, dividend payment, poll results of shareholder meetings and certain other voluntary disclosures. The Company's website (www.chinaxlx.com.hk) is also an important channel for its information disclosure and important platform for investors to obtain information on the Company.

Steady and Continuous 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.



Corporate Governance Report

Corporate Governance Practices

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. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as contained in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

During the year ended 31 December 2014, the Board has reviewed its corporate governance practices and considered that the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

A The Board

A1. Responsibilities and delegation

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.

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

Regular meetings of the Board 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.

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. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

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

The Company's company secretaries (the "**Company Secretary(ies)**") 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.

A2. Board composition

The composition of the Board as at 31 December 2014 is as follows:

Executive Directors:

Mr. Liu Xingxu	*(Chairman of the Board, Chief Executive Officer and Member of the NC)*
Ms. Yan Yunhua	*(Chief Financial Officer)*
Mr. Li Buwen (Note)	

Non-executive Director:

Mr. Lian Jie

Independent Non-executive Directors:

Mr. Ong Kian Guan	*(Chairman of the AC, Member of the RC and the NC)*
Mr. Li Shengxiao	*(Chairman of the NC, Member of the AC and the RC)*
Mr. Ong Wei Jin	*(Chairman of the RC, Member of the AC and the NC)*

Note: Subsequent to the year ended 31 December 2014, on 27 March 2015, Mr. Li Buwen resigned and Mr. Zhang Qingjin has been appointed as an executive Director.

Throughout the year ended 31 December 2014, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having three independent non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications, accounting and related financial management expertise.

The Board has maintained the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement. The independent non-executive Directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Committees. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and/or serving on the Committees, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

The biographical details of the Directors and the relationship between Board members, if any, are set out under "**Board of Directors and Senior Management**" in this annual report.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive Officer

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 code provision A.2.1 of the CG Code which requires 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 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.

A4. Appointment and re-election of directors

The procedures and process of appointment and removal of Directors are laid down in the Articles. In accordance with the Articles: (i) one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years; and (ii) any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next AGM held after his/her appointment, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

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. They are subject to re-election in accordance with the Articles provisions as mentioned above.

Pursuant to the aforesaid provisions in the Articles, Mr. Zhang Qingjin, who was appointed by the Board on 27 March 2015 to fill the casual vacancy left by the resignation of Mr. Li Buwen, shall hold office until the 2015 AGM whereas Mr. Lian Jie and Mr. Ong Kian Guan, being one-third of the Directors who are subject to retirement by rotation, shall retire by rotation at the 2015 AGM. The above three retiring Directors, being eligible, will offer themselves for re-election at the 2015 AGM. The Board recommended the re-appointment of these retiring Directors standing for re-election at the 2015 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring Directors pursuant to the requirements of the Listing Rules.

A5. Induction and continuing development for directors

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

During the year ended 31 December 2014, the Directors have participated training as follows:

– The Company organized training sessions relating to directors' duties and responsibilities, corporate governance and the Group's business. Mr. Liu Xingxu, Ms. Yan Yunhua, Mr. Li Buwen and Mr. Li Shengxiao attended such training sessions.

– All Directors (being Mr. Liu Xingxu, Ms. Yan Yunhua, Mr. Li Buwen, Mr. Lian Jie, Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin) received regular briefings and updates from the Company on the Group's business, operations and corporate governance matters.

– Mr. Liu Xingxu, Ms. Yan Yunhua, Mr. Li Buwen, Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin attended relevant seminars organized by professional firms/institutions.

– All Directors (being Mr. Liu Xingxu, Ms. Yan Yunhua, Mr. Li Buwen, Mr. Lian Jie, Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin) read technical bulletins, periodicals and other publications on subjects relevant to the Group and on their responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

A6. Directors' attendance records

The attendance records of each Director at the meetings of the Board and the Committees and the general meetings of the Company held during the year ended 31 December 2014 are set out below:

	Attendance/Number of Meetings					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
No. of meetings held / **Name of Director**	8	5	1	1	1	1
Executive Directors:						
Mr. Liu Xingxu	8	N/A	N/A	1	1	1
Ms. Yan Yunhua	8	N/A	N/A	N/A	1	1
Mr. Li Buwen (Note 1)	8	N/A	N/A	N/A	1	1
Mr. Zhang Qingjin (Note 2)	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Director:						
Mr. Lian Jie	5	N/A	N/A	N/A	0	1
Independent Non-executive Directors:						
Mr. Ong Kian Guan	8	5	1	1	1	1
Mr. Li Shengxiao	8	5	1	1	1	1
Mr. Ong Wei Jin	8	5	1	1	1	1

Notes:

1. Mr. Li Buwen has resigned as an executive Director with effect from 27 March 2015.

2. Mr. Zhang Qingjin has only been appointed as an executive Director with effect from 27 March 2015. Accordingly, the attendance at the Board meetings and the general meetings held during the year ended 31 December 2014 is not applicable to him.

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

A7. Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Having made specific enquiry of all the Directors, they confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "**Employees Written Guidelines**"), governing securities transactions by the relevant 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 relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. 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 CG Code. The Board has reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

B. Board Committees

The Board has established three Board committees, namely, the AC, the RC and the NC, for overseeing particular aspects of the Company's affairs. All the Committees have been established with defined written terms of reference, which are available on the websites of SEHK (www.hkexnews.hk) and the Company (www.chinaxlx.com.hk). All the Committees should report to the Board on their decisions or recommendations made.

All the Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Audit committee

The AC comprises a total of three members, being the three existing independent non-executive Directors, namely Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin. The chairman of the AC is Mr. Ong Kian Guan, who possesses the appropriate professional qualifications, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the AC is a former partner of the Company's existing external auditor.

The main duties of the AC are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management 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 2014, the AC has held 5 meetings. Details of individual attendance of each member at the meetings are set out in section A6 above. The AC has performed the following major works during the year ended 31 December 2014:

- Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2013, the related accounting principles and practices adopted by the Group;
- Review of the independence of the external auditor and recommendation of its re-appointment at the 2014 AGM;
- Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2014, and the related accounting principles and practices adopted by the Group;
- Review and discussion of the accounts for the first quarter ended 31 March 2014 and the third quarter ended 30 September 2014, respectively, and the related accounting principles and practices adopted by the Group;
- Review and discussion of the continuing connected transactions of the Company for the year ended 31 December 2014;
- Review and discussion of the internal control system; and
- Review of the whistle-blowing policy and the concerns raised, if any.

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 connected transactions.

The external auditor attended two of the above meetings to discuss with the AC on issues arising from the audit and financial reporting matters.

The AC recommended that Ernst & Young LLP be nominated for re-appointment as auditor at the 2015 AGM. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditor.

B2. Remuneration committee

The RC comprises a total of three members, being the three existing independent non-executive Directors, namely Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin. The chairman of the RC is Mr. Ong Wei Jin.

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 principal responsibilities of the RC include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) is adopted). The RC is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions.

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. Each of the executive Directors entered into a service contract with the Company, which covers each of their terms of employment.

During the year ended 31 December 2014, the RC has held 1 meeting. Details of individual attendance of each member at the meeting are set out in section A6 above. At the said meeting, 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.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (including Mr. Zhang Qingjin, the newly appointed executive Director, who was a member of the senior management during the year ended 31 December 2014) by band for the year ended 31 December 2014 is set out below:

Remuneration band (RMB)	Number of individuals
500,000-700,000	1
700,001-900,000	3
900,001-1,100,000	1

Details of the remuneration of each Director for the year ended 31 December 2014 are set out in note 9 to the consolidated financial statements contained in this annual report.

B3. Nomination committee

The NC comprises a total of four members, being the Chairman of the Board, namely Mr. Liu Xingxu, and the three existing independent non-executive Directors, namely Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin. Accordingly, a majority of the members are independent non-executive Directors. The chairman of the NC is Mr. Li Shengxiao.

The principal responsibilities of the NC include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on an annual basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

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.

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 2014, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

In selecting candidates for directorship of the Company, the NC may make reference to certain criteria such as the Company's needs, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and hence the purpose of the Board diversity. To comply with the provision of A.5.6 of the CG Code, a Board diversity policy was adopted by the Company pursuant to which the NC is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience). The NC shall report its findings and make recommendations to the Board, if any. Such policy and objectives, if any, will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

The NC considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

During the year ended 31 December 2014, the NC has held 1 meeting. Details of individual attendance of each member at the meeting are set out in section A6 above. At the said meeting, the NC: (i) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; (ii) assessed the independence of all the independent non-executive Directors; and (iii) recommended the re-election of the retiring Directors at the 2014 AGM.

C. Directors' responsibilities for financial reporting in respect of the financial statements

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 Rules.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group and put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

D. Internal controls

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.

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 recognition of the AC, the internal control system maintained by the Group's management throughout the year ended 31 December 2014 is adequate to address the financial, operational and compliance risks of the Group.

E. Company secretaries

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 ended 31 December 2014, both Mr. Teo and Ms. Soon have taken not less than 15 hours of relevant professional training.

F. External auditor and auditor's remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2014 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to Ernst & Young LLP, the Company's auditor, in respect of audit services and non-audit services for the year ended 31 December 2014 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable (S$)
Audit services	319,000
– audit fee for the year ended 31 December 2014	
Non-audit services	75,000
– review on financial results for three months ended 31 March 2014	
TOTAL:	394,000

G. Communications with shareholders and investors

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make the best investment decision. 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.

In line with continuous obligations of the Company pursuant to 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 website of 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) the Company's website at www.chinaxlx.com.hk at which Shareholders can access information on the Group, and roadshows organised by banks and plant visits.

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 published on the websites of the SEHK and the Company. 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.

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 SEHK and the Company after each shareholders' meeting.

H. Shareholders' rights

Convening an extraordinary general meeting by shareholders

Pursuant to Article 47 of the 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 of Singapore:

(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 request 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, 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.

For the avoidance of doubt, Shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of Shareholder(s) may be disclosed as required by law.

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:	17/F, Yat Chau Building, 262 Des Voeux Road Central, Hong Kong (For the attention of the Head of Investor Relations)
Tel:	(852) 2522 1838
Email:	weiwei.zhu@chinaxlx.com.hk

Inquiries are dealt with in an informative and timely manner.

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

Report of the Directors

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

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 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 69 to 138 of this annual report.

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of RMB6 cents (2013: RMB6 cents per share) per share in respect of the year to Shareholders on the register of members on 19 June 2015. 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, is set out on page 139 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 Articles or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

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 Group during the year are set out in the statements of changes in equity on page 72 of this annual report.

At 31 December 2014, the Company's reserves available for distribution amounted to RMB69,505,000 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 RMB241,000 (2013: RMB2,617,000).

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 20% (2013: less than 20%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 40% (2013: 57%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 13% (2013: 21%).

None of the Directors or any of their close 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 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

On 27 March 2015, Mr. Li Buwen resigned and Mr. Zhang Qingjin was appointed as an executive Director.

In accordance with Articles 89 and 90 of the Articles, Mr. Lian Jie and Mr. Ong Kian Guan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Pursuant to Article 88 of the Articles, Mr. Zhang Qingjin, who was appointed by the Board as an executive Director on 27 March 2015 to fill the vacancy left by the resignation of Mr. Li Buwen, shall hold office until the forthcoming AGM and, being eligible, will offer himself for re-election at the forthcoming AGM.

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

Arrangements to Enable Directors to Acquire Shares and Debentures

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

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 37 to 40 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 AGM 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 AGM 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 RC 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 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 2014, the interests of the Directors and chief executives 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**") and Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code, were as follows:

Long positions

	Number of ordinary shares interested			
Name of Directors	**Personal interests**	**Corporate interests**	**Total interest**	**Approximate percentage# of the Company's issued share capital**
Mr. Liu Xingxu	600,000	373,222,290 (Note (a))	373,822,290	37.38%
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 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 and Mr. Zhang Qingjin) 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 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 and Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

Interests of Directors in Competing Businesses

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

Management Contracts

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

Options

The Group has no share option scheme.

Substantial Shareholders' Interests in Shares and Underlying Shares and Debentures

As at 31 December 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 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 interests	Approximate percentage of shares/ underlying shares over the Company's issued share capital
Pioneer Top (Note (a))	Beneficial owner	373,222,290	–	373,222,290	37.32%*
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%**
CITIC Securities Company Limited (Note (d))	Interest held by corporations	263,397,000	–	263,397,000	26.34%*
CITIC Securities International Company Limited (Note (d))	Interest held by a corporation	263,397,000	–	263,397,000	26.34%*
CITIC Securities Corporate Finance (HK) Limited (Note (d))	Beneficial owner	263,397,000	–	263,397,000	26.34%*

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

** The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 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, executive Director (resigned on 27 March 2015); approximately 7% for Mr. Zhang Qingjin (appointed as an executive Director on 27 March 2015), 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao and 7% for Mr. Wang Nairen, 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.

(d) According to the disclosure of interests forms as shown on the website of the SEHK as at 31 December 2014, these 263,397,000 shares were held by CITIC Securities Corporate Finance (HK) Limited, a wholly-owned subsidiary of CITIC Securities International Company Limited, which in turn was a wholly-owned subsidiary of CITIC Securities Company Limited. Accordingly, CITIC Securities International Company Limited and CITIC Securities Company Limited were deemed to be interested in these shares pursuant to Part XV of the SFO. Apart from the information ascertained in the disclosure of interests forms as shown on the website of the SEHK, the Company has no further information.

Save as disclosed above, as at 31 December 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 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.

As at 31 December 2014, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen held an aggregate of approximately 10.6% interest in 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.07 of the Listing Rules.

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 RMB20,000,000 (approximately HK$24,861,200) for the financial year ended 31 December 2014.

For the year ended 31 December 2014, the aggregate amount received by the Group from XLX Chem Group amounted to RMB2,744,528 and has been accounted for as other income in the Group's consolidated statement of profit or loss and other 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 2014. On 13 November 2014, the Group entered into a new Equipment Purchase Agreement to further revise the annual cap to RMB33,000,000 (approximately HK$41,794,000) for the financial year ended 31 December 2014.

For the year ended 31 December 2014, the aggregate amount paid by the Group for the sourcing of equipment was RMB32,459,360 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 2014.

The service expenses paid by the Group to XLX Chem Group under this agreement amounted to approximately RMB6,572,283 for the year ended 31 December 2014 and have been accounted for as cost of sales in the consolidated statement of profit or loss and other 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 Xiaoji Town, Xinxiang 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 RMB14,000,000 (approximately HK$17,402,840) for the financial year ended 31 December 2014.

The service expenses paid by the Group under these agreements amounted to approximately RMB5,010,234 for the year ended 31 December 2014 and have been accounted for as general and administrative expenses in the consolidated statement of profit or loss and other 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 and including 18 August 2016. The Group has set the fixed monthly lease of RMB186,600 in respect of the General Lease Agreement (i.e. RMB2,239,200 (approximately HK$2,843,784) as the annual cap for the year ended 31 December 2014).

The lease paid by the Group under these agreements amounted to approximately RMB2,239,200 for the year ended 31 December 2014 and have been accounted for as general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

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

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders 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 LLP 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.56 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 43 to 55 of this annual report.

Subsidiaries

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

Sufficiency of Public Float

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

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

Event After the Reporting Period

Details of the significant event of the Group after the reporting period are set out in note 45 to the financial statements.

Auditor

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

On behalf of the Board:

LIU Xingxu
Director

YAN Yunhua
Director

27 March 2015

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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, statements of changes in equity, consolidated statement of cash flows and statement of financial position 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 2014 and the results of the business, changes in equity and cash flows of the Group 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:

LIU Xingxu
Director

YAN Yunhua
Director

27 March 2015

Independent Auditor's Report

To the shareholders of China XLX Fertiliser Ltd.

(Incorporated in Singapore with limited liability)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of China XLX Fertiliser Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**") set out on pages 69 to 138, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group 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 these 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 International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements, that are free from material misstatement, whether due to fraud or error.

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 of the Company are properly drawn up in accordance with the provisions of the Act and International 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 2014 and the results, changes in equity and cash flows of the Group 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

27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	6	**5,081,748**	3,968,946
Cost of sales		**(4,182,984)**	(3,221,247)
Gross profit		**898,764**	747,699
Other income and gains	6	**56,272**	26,302
Selling and distribution expenses		**(197,946)**	(82,242)
General and administrative expenses		**(242,789)**	(275,984)
Other expenses		**(10,976)**	(9,079)
Finance costs	8	**(218,020)**	(95,073)
PROFIT BEFORE TAX	7	**285,305**	311,623
Income tax expense	11	**(48,579)**	(52,230)
Profit for the year	12	**236,726**	259,393
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value	19	**(2,525)**	3,622
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(2,525)**	3,622
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**234,201**	263,015
Profit attributable to:			
Owners of the parent		**240,796**	264,052
Non-controlling interest		**(4,070)**	(4,659)
		236,726	259,393
Total comprehensive income attributable to:			
Owners of the parent		**238,271**	267,674
Non-controlling interest		**(4,070)**	(4,659)
		234,201	263,015
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB cents per share)	14	**20.48**	22.45

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

Consolidated Statement of Financial Position

31 December 2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	15	**6,907,271**	4,735,403	3,019,025
Prepaid land lease payments	16	**195,385**	171,446	175,290
Goodwill	17	**6,950**	6,950	6,950
Coal mining right	18	**39,594**	41,232	41,955
Available-for-sale investments	19	**13,298**	7,500	7,500
Prepayments for purchases of items of property, plant and equipment	23	**278,022**	687,469	721,626
Deferred tax assets	33	**11,050**	8,663	4,706
Total non-current assets		**7,451,570**	5,658,663	3,977,052
CURRENT ASSETS				
Due from a related company	25	**–**	1,907	1,760
Available-for-sale investments	19	**–**	8,323	4,701
Inventories	21	**340,638**	261,377	432,366
Trade and bills receivables	22	**36,360**	13,469	17,260
Prepayments	23	**266,240**	186,930	140,630
Deposits and other receivables	23	**348,304**	198,995	49,080
Income tax recoverable		**20,255**	26,446	3,858
Pledged time deposits	24, 27	**491,713**	148,961	12,900
Cash and cash equivalents	24	**633,389**	797,813	477,610
Total current assets		**2,136,899**	1,644,221	1,140,165
Total assets		**9,588,469**	7,302,884	5,117,217
EQUITY AND LIABILITIES				
CURRENT LIABILITIES				
Due to a related company	25	**1,704**	–	135
Trade payables	26	**95,574**	88,171	110,773
Bills payable	27	**906,765**	260,143	25,800
Accruals and other payables	28	**1,344,779**	829,368	422,437
Income tax payable		**4**	4	4
Deferred grants	29	**4,985**	4,892	3,596
Interest-bearing bank and other borrowings	30	**429,410**	134,983	172,000
Short-term bond payable	31	**–**	300,000	300,000
Total current liabilities		**2,783,221**	1,617,561	1,034,745
Net current assets/(current liabilities)		**(646,322)**	26,660	105,420
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,805,248**	5,685,323	4,082,472

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	30	**3,595,109**	2,837,832	1,679,485
Deferred grants	29	**37,420**	33,026	23,474
Deferred tax liabilities	33	**48,902**	50,216	51,081
Other payables		**361**	398	–
Long-term bond payable	34	**450,000**	250,000	–
Total non-current liabilities		**4,131,792**	3,171,472	1,754,040
Total liabilities		**6,915,013**	4,789,033	2,788,785
Net assets		**2,673,456**	2,513,851	2,328,432
Equity attributable to owners of the parent				
Issued capital	35	**881,124**	881,124	881,124
Convertible bonds	32	**322,436**	322,436	322,436
Revaluation reserve		**1,097**	3,622	–
Statutory reserve fund	36	**229,180**	199,295	167,873
Retained profits		**1,181,118**	1,044,803	886,769
Proposed final dividend	13	**60,000**	60,000	63,000
		2,674,955	2,511,280	2,321,202
Non-controlling interest		**(1,499)**	2,571	7,230
Total equity		**2,673,456**	2,513,851	2,328,432
Total equity and liabilities		**9,588,469**	7,302,884	5,117,217

Statements of Changes in Equity

31 December 2014

Group

		Attributable to owners of the Company								
	Notes	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	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2013										
As previously reported		836,671	322,436	–	167,873	931,222	63,000	2,321,202	7,230	2,328,432
Prior year adjustments		44,453	–	–	–	(44,453)	–	–	–	–
As restated		881,124	322,436	–	167,873	886,769	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		881,124	322,436	3,622	199,295	1,044,803	60,000	2,511,280	2,571	2,513,851
At 1 January 2014										
As previously reported		**836,671**	**322,436**	**3,622**	**199,295**	**1,089,256**	**60,000**	**2,511,280**	**2,571**	**2,513,851**
Prior year adjustments		**44,453**	**–**	**–**	**–**	**(44,453)**	**–**	**–**	**–**	**–**
As restated		**881,124**	**322,436**	**3,622**	**199,295**	**1,044,803**	**60,000**	**2,511,280**	**2,571**	**2,513,851**
Profit for the year		**–**	**–**	**–**	**–**	**240,796**	**–**	**240,796**	**(4,070)**	**236,726**
Other comprehensive loss for the year:										
Change in fair value of an available-for-sale investment		**–**	**–**	**(2,525)**	**–**	**–**	**–**	**(2,525)**	**–**	**(2,525)**
Total comprehensive income for the year		**–**	**–**	**(2,525)**	**–**	**240,796**	**–**	**238,271**	**(4,070)**	**234,201**
Transfer to statutory reserve fund	36	**–**	**–**	**–**	**29,885**	**(29,885)**	**–**	**–**	**–**	**–**
2013 final dividend declared		**–**	**–**	**–**	**–**	**–**	**(60,000)**	**(60,000)**	**–**	**(60,000)**
Convertible bonds interest	32	**–**	**14,596**	**–**	**–**	**(14,596)**	**–**	**–**	**–**	**–**
Payment of convertible bonds interest		**–**	**(14,596)**	**–**	**–**	**–**	**–**	**(14,596)**	**–**	**(14,596)**
Proposed 2014 final dividend	13	**–**	**–**	**–**	**–**	**(60,000)**	**60,000**	**–**	**–**	**–**
At 31 December 2014		**881,124**	**322,436**	**1,097**	**229,180**	**1,181,118**	**60,000**	**2,674,955**	**(1,499)**	**2,673,456**

Consolidated Statement of Cash Flows

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**285,305**	311,623
Adjustments for:			
Amortisation of prepaid land lease payments	7	**4,434**	3,844
Amortisation of coal mining right	7	**1,638**	1,603
Depreciation of items of property, plant and equipment	7	**324,363**	183,455
Loss on disposal of items of property, plant and equipment	7	**3,311**	5,191
Amortisation of deferred grants	6	**(3,673)**	(1,121)
Interest income	6	**(14,657)**	(3,847)
Finance costs	8	**218,020**	95,073
		818,741	595,821
Decrease/(increase) in inventories		**(79,261)**	170,989
Decrease/(increase) in trade and bills receivables		**(22,891)**	3,791
Increase in prepayments		**(79,310)**	(46,300)
Increase in deposits and other receivables		**(149,309)**	(149,915)
Movement in balances with related companies		**1,223**	(282)
Increase in trade and bills payables		**654,025**	211,741
Increase in accruals and other payables		**79,149**	235,812
Cash flows generated from operations		**1,222,367**	1,021,657
Government grants received	29	**8,160**	11,969
Interest paid	8	**(242,730)**	(164,793)
Interest received		**14,657**	3,847
Tax paid		**(46,089)**	(79,640)
Net cash flows from operating activities		**956,365**	793,040

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**2,838**	2,298
Purchases of items of property, plant and equipment		**(1,629,610)**	(1,631,928)
Additions of coal mining right	18	**–**	(880)
Additions of land use right	16	**(28,373)**	–
Increase in pledged time deposits		**(342,752)**	(136,061)
Net cash flows used in investing activities		**(1,997,897)**	(1,766,571)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		**(60,000)**	(63,000)
Payment of convertible bonds interest		**(14,596)**	(14,596)
Proceeds from issue of a short-term bond	31	**–**	300,000
Repayment of a short-term bond	31	**(300,000)**	(300,000)
Proceeds from issue of a long-term bond	34	**200,000**	250,000
Proceeds from loans and borrowings		**2,205,369**	2,092,702
Repayments of loans and borrowings		**(1,153,665)**	(971,372)
Net cash flows from financing activities		**877,108**	1,293,734
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(164,424)**	320,203
Cash and cash equivalents at beginning of year		**797,813**	477,610
Cash and cash equivalents at end of year		**633,389**	797,813
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		**633,389**	797,813

Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
ASSETS				
NON-CURRENT ASSETS				
Investments in subsidiaries	20	**1,340,000**	1,340,000	1,100,000
Available-for-sale investments	19	**5,798**	–	–
Total non-current assets		**1,345,798**	1,340,000	1,100,000
CURRENT ASSETS				
Available-for-sale investments	19	**–**	8,323	4,701
Due from a subsidiary	20	**395,938**	230,938	132,938
Prepayments	23	**318**	318	318
Cash and cash equivalents	24	**4,331**	5,400	4,587
Total current assets		**400,587**	244,979	142,544
Total assets		**1,746,385**	1,584,979	1,242,544
EQUITY AND LIABILITIES				
CURRENT LIABILITIES				
Accruals and other payables		**12,167**	16,260	19,819
Interest-bearing bank and other borrowings	30	**210,056**	94,983	–
Total current liabilities		**222,223**	111,243	19,819
Net current assets		**178,364**	133,736	122,725
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,524,162**	1,473,736	1,222,725
NON-CURRENT LIABILITIES				
Long-term bond payable	34	**250,000**	250,000	–
Total liabilities		**472,223**	361,243	19,819
Net assets		**1,274,162**	1,223,736	1,222,725
Equity attributable to owners of the parent				
Issued capital	35	**881,124**	881,124	881,124
Convertible bonds	32	**322,436**	322,436	322,436
Revaluation reserve		**1,097**	3,622	–
Retained profit/(accumulated loss)		**9,505**	(43,446)	(43,835)
Proposed final dividend	13	**60,000**	60,000	63,000
Total equity		**1,274,162**	1,223,736	1,222,725
Total equity and liabilities		**1,746,385**	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 were dually primary-listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST") and The Stock Exchange of Hong Kong Limited (the "SEHK"). On 12 August 2014, the Company's shares were delisted from the Official List of the Mainboard of SGX-ST. The Company's shares is listed only on the SEHK since then. The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore, 068898. The principal place of business of the Group is located at Xinxiang High Technology Development Zone (Xiaoji Town), Henan Province, the People's Republic of China (the "PRC"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are disclosed in note 20 to the financial statements.

2.1 Basis of Preparation

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

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

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

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

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

2.1 Basis of Preparation (continued)

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

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

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

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

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

These financial statements have been prepared on a historical cost basis, except for 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 Standards Issued But Not Yet Effective

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements *2010-2012 Cycle*	*Amendments to a number of IFRSs*[1]
Annual Improvements *2011-2013 Cycle*	Amendments to a number of IFRSs[1]
Annual Improvements *2012-2014 Cycle*	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2.2 Standards Issued But Not Yet Effective (continued)

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

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 IFRSs. Profits reflected in the financial statements prepared in accordance with IFRSs 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. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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 of the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for 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.

3. Summary of Significant Accounting Policies (continued)

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 profit or loss and other 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.

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.

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.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

3. Summary of Significant Accounting Policies (continued)

Subsidiaries (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of 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.

Fair value measurement

The Group measures its available for sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Summary of Significant Accounting Policies (continued)

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;

(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 measured at cost less accumulated depreciation and accumulated impairment losses, if any. 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.

3. Summary of Significant Accounting Policies (continued)

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.

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 (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other-asset or groups of assets. When the carrying amount of an asset or CGU 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 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 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.

3. Summary of Significant Accounting Policies (continued)

Goodwill

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

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

The cash-generating unit to which goodwill 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.

3. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Subsequent measurement

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

(a) *Loans and receivables*

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

(b) *Available-for-sale financial assets*

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

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

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when;

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arraignment and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

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.

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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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.

3. Summary of Significant Accounting Policies (continued)

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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise 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 valued at the lower of cost and net realisable value. Costs incurred in bringing the each product to its 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, but excluding borrowing costs. These costs are assigned on a weighted average basis.

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 a reliable estimate can be made of the amount of the obligation.

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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. 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 buyer, usually on delivery of the goods.

(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, which is generally when shareholders approve the dividend.

(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.

(f) Compensation income

Compensation income is recognised when the Group's right to receive payment has been established.

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 reporting date, 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.

3. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

Deferred tax

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

Deferred tax liabilities are recognised for all taxable 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, when 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, the 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.

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.

4. Significant Accounting Estimates and Judgements (continued)

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:

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, income tax payable, deferred tax assets and deferred tax liabilities at 31 December 2014 were RMB20,255,000, RMB4,000, RMB11,050,000 and RMB48,902,000, respectively (2013: income tax recoverable, income tax payable, deferred tax assets and deferred tax liabilities were RMB26,446,000, RMB4,000, RMB8,663,000 and RMB50,216,000, 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 2014 was RMB6,950,000 (2013: 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 2014 was RMB3,259,481,000 (2013: RMB1,477,572,000).

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 2014, an impairment loss of RMB2,525,000 has been recognised for this available-for-sale investment (impairment loss in 2013: Nil). The carrying amount of this available-for-sale investment was RMB5,798,000 (2013: RMB8,323,000).

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 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 2014, no impairment loss has been recognised for the coal mining right. The carrying amount of the coal mining right at 31 December 2014 was RMB39,594,000 (2013: RMB41,232,000).

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 2014 was RMB39,594,000 (2013: RMB41,232,000).

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) Manufacturing and sales of urea

(ii) Manufacturing and sale of compound fertiliser

(iii) Manufacturing and sale of methanol

(iv) Manufacturing and sale of other products such as crude methanol, liquid ammonia and ammonia solution

5. Operating Segment Information (continued)

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 the subsidiary has not been presented.

Except as indicated above, no operating segments have been aggregated to from 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 2014 and 2013, sales to the Group's major customer amounted to RMB274,301,000 (or 5.4% of the total sales) and RMB175,472,000 (or 4.4% 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 2014	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
REVENUE						
Sales to external customers	3,005,077	1,245,740	672,404	158,527	–	5,081,748
Intersegment sales	118,441	27,376	1,579	178,389	(325,785)	–
Total revenue	3,123,518	1,273,116	673,983	336,916	(325,785)	5,081,748
Segment profit	497,417	195,157	168,067	38,123	–	898,764
Interest income						14,657
Unallocated other income and gains						41,615
Unallocated expenses						(451,711)
Finance costs						(218,020)
Profit before tax						285,305
Income tax expense						(48,579)
Profit for the year						236,726
Other segment information:						
Loss on disposal of items of property, plant and equipment						3,311
Depreciation of items of property, plant and equipment						324,363
Amortisation of prepaid land lease payments						4,434
Amortisation of coal mining right						1,638

5. Operating Segment Information (continued)

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

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:

	2014 RMB'000	2013 RMB'000
Revenue		
Sale of goods	**5,081,748**	3,968,946

6. Revenue, other Income and Gains (continued)

	2014 RMB'000	2013 RMB'000
Other income and gains		
Bank interest income	**14,657**	3,847
Net profit from sales of by-products	**25,770**	10,747
Amortisation of deferred grants (note 29)	**3,673**	1,121
Subsidy income	**5,055**	3,184
Compensation income	**6,801**	–
Realised exchange gain	**–**	6,865
Others	**316**	538
	56,272	26,302

7. Profit Before Tax

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

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold#		**4,182,984**	3,221,247
Depreciation of items of property, plant and equipment	15	**324,363**	183,455
Amortisation of prepaid land lease payments	16	**4,434**	3,844
Amortisation of coal mining right	18	**1,638**	1,603
Minimum lease payments under operating leases:			
Land		**1,422**	1,319
Buildings		**2,239**	1,066
		3,661	2,385
Auditors' remuneration		**1,466**	1,322
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and bonuses		**306,837**	203,336
Contributions to defined contribution plans		**16,111**	5,667
Welfare expenses		**17,486**	25,044
		340,434	234,047
Unrealised exchange loss, net *		**5,825**	144
Loss on disposal of items of property, plant and equipment *		**3,311**	5,191

* Included in "Other expenses" disclosed in the consolidated statement of profit or loss and other comprehensive income.

Included wages and salaries of RMB48,953,000 (2013: RMB34,939,000) disclosed under employee benefit expenses, depreciation charges of RMB296,687,000 (2013: RMB154,976,000) disclosed under depreciation.

8. Finance Costs

The Group's finance costs are analysed as follows:

	2014 RMB'000	2013 RMB'000
Interest on bank loans, overdrafts, other loans and bonds, wholly repayable within five years	**242,520**	164,550
Interest on government loans	**210**	243
	242,730	164,793
Less: Interest capitalised (note 37)	**(24,710)**	(69,720)
	218,020	95,073

9. Directors' Remuneration

Details of directors' remuneration are as follows:

	2014 RMB'000	2013 RMB'000
Fees	**800**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**5,384**	6,454
Pension scheme contributions	**62**	54
	5,446	6,508
	6,246	7,308

(a) Independent non-executive directors

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

	2014 RMB'000	2013 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 2014 (2013: Nil).

9. Directors' Remuneration (continued)

(b) Executive directors and a non-executive director

Year ended 31 December 2014	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	–	869	1,242	31	2,142
Yan Yunhua	–	689	932	31	1,652
Li Buwen	–	720	932	–	1,652
	–	2,278	3,106	62	5,446
Non-executive director:					
Lian Jie	–	–	–	–	–
	–	2,278	3,106	62	5,446
Year ended 31 December 2013					
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

* 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 2014 (2013: 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 (2013: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2013: two) non-director, highest paid employees for the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	**638**	975
Performance-related bonuses	**1,180**	520
Pension scheme contributions	**63**	40
	1,881	1,535

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

	2014	2013
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% (2013: 17%) for the year.

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

The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (2013: 25%). In the current 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 2014, and year ending 31 December 2015 and 31 December 2016.

11. Income Tax (continued)

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

Group

	2014 RMB'000	2013 RMB'000
Current – PRC		
Charge for the year	**53,665**	56,272
Under/(over) provision in respect of previous years	**(1,385)**	780
Deferred (note 33)	**(3,701)**	(4,822)
Total tax charge for the year	**48,579**	52,230

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:

	2014 RMB'000	2013 RMB'000
Profit before tax	**285,305**	311,623
Tax at statutory tax rates	**72,216**	79,737
Expenses not deductible for tax	**7,760**	7,661
Effect of a tax concession	**(34,518)**	(37,485)
Adjustments in respect of current tax of previous periods	**(1,385)**	780
Deferred tax not recognised	**4,434**	2,401
Others	**72**	(864)
Tax charge at the effective rate of 17.0% (2013: 16.8%)	**48,579**	52,230

12. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2014 includes a loss of RMB37,452,000 (2013: RMB23,015,000) which has been dealt with in the financial statements of the Company.

13. Dividend

	2014 RMB'000	2013 RMB'000
Proposed final dividend – RMB6 cents (2013: RMB6 cents) per ordinary share	**60,000**	60,000

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 (2013: 1,176,000,000), as adjusted to reflect the convertible bonds issued in 2011.

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

	2014 RMB'000	2013 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**240,796**	264,052

	2014 Number of shares	2013 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 2014

	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 2013 and 1 January 2014	336,423	412,158	2,317,286	101,861	39,926	2,562,581	5,770,235
Additions	9,522	7,415	50,324	24,574	10,027	2,400,518	2,502,380
Transfers	300,339	457,603	1,980,807	55,459	–	(2,794,208)	–
Disposals	(121)	–	(21,883)	(903)	(714)	–	(23,621)
At 31 December 2014	646,163	877,176	4,326,534	180,991	49,239	2,168,891	8,248,994
Accumulated depreciation:							
At 31 December 2013 and 1 January 2014	54,687	68,822	839,714	56,722	14,887	–	1,034,832
Depreciation charged for the year	21,664	30,052	243,869	21,907	6,871	–	324,363
Disposals	–	–	(16,530)	(381)	(561)	–	(17,472)
At 31 December 2014	76,351	98,874	1,067,053	78,248	21,197	–	1,341,723
Net carrying amount:							
At 31 December 2014	569,812	778,302	3,259,481	102,743	28,042	2,168,891	6,907,271

15. Property, Plant and Equipment (continued)

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 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 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

The Group's buildings with an aggregate net carrying amount of RMB569,812,000 (2013: RMB281,736,000) are situated in Mainland China.

16. Prepaid Land Lease Payments

Group

	Notes	2014 RMB'000	2013 RMB'000
Carrying amount at 1 January		**175,289**	179,133
Additions		**28,373**	–
Amortisation during the year	7	**(4,434)**	(3,844)
Carrying amount at 31 December		**199,228**	175,289
Current portion included in prepayments	23	**(3,843)**	(3,843)
Non-current portion		**195,385**	171,446

The Group's leasehold land is held under medium-term leases and situated in PRC where the Group's manufacturing and storage facilities reside. The leasehold land has a remaining tenure from 40 to 47 years (2013: from 41 to 48 years).

17. Goodwill

Group

	RMB'000
Cost and net carrying amount at 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	6,950
At 31 December 2014 and 31 December 2013:	
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 (2013: 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 10%.

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

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

(iii) Commodity price

The basis used to determine the value assigned to commodity price 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 2014	
Cost at 1 January 2014, net of accumulated amortisation	**41,232**
Amortisation provided during the year (note 7)	**(1,638)**
At 31 December 2014	**39,594**
At 31 December 2014:	
Cost	**44,541**
Accumulated amortisation	**(4,947)**
Net carrying amount	**39,594**

	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

19. Available-for-sale Investments

	Group	
	2014 RMB'000	2013 RMB'000
NON-CURRENT		
Unquoted equity investment, at cost:		
PRC	**7,500**	7,500
Listed equity investment, at fair value:		
Singapore	**5,798**	–
	13,298	7,500
CURRENT		
Listed equity investment, at fair value:		
Singapore	**–**	8,323

	Company	
	2014 RMB'000	2013 RMB'000
NON-CURRENT		
Listed equity investment, at fair value:		
Singapore	**5,798**	–
CURRENT		
Listed equity investment, at fair value:		
Singapore	**–**	8,323

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 loss in respect of the available-for-sale investments recognised in other comprehensive income amounted to RMB2,525,000 (gross gain in 2013: RMB3,622,000) and arose from the equity investment included in non-current asset. As at 31 December 2014, the listed equity investment of RMB5,798,000 was classified as a non-current asset because the directors of the Company had no intention 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 RMB5,713,000.

In the prior year, the Group 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 2014, the investment in Biyuan was stated at cost less impairment of RMB7,500,000 (2013: 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	
	2014 RMB'000	2013 RMB'000
Unlisted shares, at cost	**1,340,000**	1,340,000

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		Principal activities
			Direct	Indirect	
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	RMB935,000,000	–	100%	Investment holding
瑪納斯天利煤業有限責任公司 ("**Tianli**")#@	PRC/ Mainland China	RMB65,000,000	–	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 2014 were not audited by Ernst & Young LLP, Singapore or another member firm of the Ernst & Young global network.

21. Inventories

	Group	
	2014 RMB'000	2013 RMB'000
Statement of financial position:		
Raw materials	**170,567**	131,755
Parts and spares	**36,986**	27,244
Work-in-progress	**7,212**	2,657
Finished goods	**125,873**	99,721
	340,638	261,337

22. Trade and Bills Receivables

	Group	
	2014 RMB'000	2013 RMB'000
Trade receivables	**31,790**	9,572
Bills receivable	**4,570**	3,897

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

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

22. Trade and Bills Receivables (continued)

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

	2014 RMB'000	2013 RMB'000
Within 1 month	**3,267**	2,152
1 to 3 months	**3,479**	819
3 to 6 months	**8,700**	2,372
6 to 12 months	**15,921**	3,990
Over 12 months	**423**	239
	31,790	9,572

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

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	**6,746**	2,971
Less than 3 months past due	**8,700**	2,372
More than 3 months past due	**16,344**	4,229
	31,790	9,572

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.

At 31 December 2014, the Group endorsed bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with aggregate carrying amount of RMB388,695,000 (2013: RMB266,141,000) 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 2014, 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	
	Notes	**2014 RMB'000**	2013 RMB'000
NON-CURRENT			
Prepayments for purchases of items of plant and equipment	25	**278,022**	687,469
CURRENT			
Prepayments			
Advanced deposits to suppliers		**244,823**	176,246
Current portion of prepaid land lease payments	16	**3,843**	3,843
Other prepayments		**17,574**	6,841
		266,240	186,930
Deposits and other receivables			
Deposits		**300**	340
VAT recoverable		**305,060**	182,954
Others		**42,944**	15,701
		348,304	198,995
Total prepayments, deposits and other receivables		**614,544**	385,925

	Company	
	2014 RMB'000	2013 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 Time Deposits

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Time deposits	**491,713**	148,961	**–**	–
Less:				
Pledged time deposits for bills payable (note 27)	**(491,713)**	(148,961)	**–**	–
	–	–	**–**	–
Cash at banks and on hand	**633,389**	797,813	**4,331**	5,400
Cash and cash equivalents	**633,389**	797,813	**4,331**	5,400

At 31 December 2014, the cash and bank balances of the Group denominated in RMB amounted to RMB629,262,000 (2013: RMB780,942,000). 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. Balances with Related Companies

During the year, the Company had transactions with a subsidiary, namely Xinjiang An Tai Shen Zhou Feng Tou Co. Ltd. ("**Xinjiang Feng Tou**"), of Henan Shen Zhou Heavy Heads Co., Ltd. ("**Henan Heavy Heads**"), certain shareholders of which are also shareholders of the Company.

The prepayment to Xinjiang Feng Tou of RMB2,388,000 for purchase of equipment is unsecured and interest-free.

The Company and Henan Xinlianxin Chemicals Group Co., Ltd. ("**Henan Chemicals**") have common shareholders and the Company's executive directors and executive officers have certain equity interests in Henan Chemicals.

The amount due from Henan Chemicals of RMB1,907,000 as at 31 December 2013 was unsecured, interest-free and repayable on demand.

The amount due to Henan Chemicals of RMB1,704,000 as at 31 December 2014, is unsecured, repayable on demand and bore interest at 5.13% per annum.

The carrying amounts of these balances approximate to their fair values.

25. Balances with Related Companies (continued)

Particulars of the balances with related companies, disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance, are as follows:

	31 December 2014 RMB'000	Maximum amount outstanding during the year RMB'000	31 December 2013 RMB'000
Xinjiang Feng Tou	**2,388**	7,953	–
Henan Chemicals	**–**	1,907	1,907
	2,388		1,907

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	
	2014 RMB'000	2013 RMB'000
Within 1 month	**67,929**	66,288
1 to 3 months	**12,772**	11,115
3 to 6 months	**3,811**	4,504
6 to 12 months	**6,008**	2,143
Over 12 months	**5,054**	4,121
	95,574	88,171

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 RMB491,713,000 (2013: RMB148,961,000) (note 24).

28. Accruals and Other Payables

	Group	
	2014 RMB'000	2013 RMB'000
Accruals		
Accrued expenses	**78,257**	87,919
Accruals for construction costs and purchases of items of property, plant and equipment	**700,388**	264,163
	778,645	352,082
Other payables		
Advanced purchase deposits from customers	**489,603**	412,020
VAT and other operating tax payables	**8,643**	5,392
Tender deposits	**27,667**	34,243
Others	**40,221**	25,631
	566,134	477,286
	1,344,779	829,368

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

29. Deferred Grants

	Group	
	2014 RMB'000	2013 RMB'000
Cost:		
At beginning of the year	**42,669**	30,700
Received during the year	**8,160**	11,969
At end of year	**50,829**	42,669
Accumulated amortisation:		
At beginning of the year	**4,751**	3,630
Amortisation during the year	**3,673**	1,121
At end of year	**8,424**	4,751
Net carrying amount:		
Current	**4,985**	4,892
Non-current	**37,420**	33,026
	42,405	37,918

As at 31 December 2014 and 2013, 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 RMB8,160,000 (2013: RMB11,969,000) were given to the Group.

30. Interest-Bearing Bank and Other Borrowings

Group

	2014			2013		
	Contractual interest rate	**Maturity**	**RMB'000**	Contractual interest rate	Maturity	RMB'000
CURRENT						
Bank loans						
– secured	**3.15%**	**2015**	**210,056**	6.1% to 7.1%	2014	94,983
– unsecured	**2.84% to 6.15%**	**2015**	**219,354**	6.1% to 7.1%	2014	40,000
			429,410			134,983
NON-CURRENT						
Bank loans						
– unsecured	**2.25% to 7.32%**	**2016 to 2021**	**3,589,654**	1.81% to 7.32%	2015 to 2018	2,831,468
Loan from the government						
– unsecured	**Floating rate at 0.3% above the market prime lending rate**	**2020**	**5,455**	Floating rate at 0.3% above the market prime lending rate	2020	6,364
			3,595,109			2,837,832
			4,024,519			2,972,815

Company

	2014			2013		
	Contractual interest rate	**Maturity**	**RMB'000**	Contractual interest rate	Maturity	RMB'000
CURRENT						
Bank loans						
– secured	**3.15%**	**2015**	**210,056**	6.1% to 7.1%	2014	94,983

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

	Group	
	2014 **RMB'000**	2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**429,410**	134,983
In the second year	**1,607,904**	1,240,756
In the third to fifth years, inclusive	**1,051,750**	1,590,712
Beyond five years	**930,000**	–
	4,019,064	2,966,451
Other borrowings repayable:		
Beyond five years	**5,455**	6,364
	4,024,519	2,972,815

	Company	
	2014 **RMB'000**	2013 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**210,056**	94,983

Notes:

(a) The Group's bank facilities amounting to RMB6,669,351,000 (2013: RMB4,908,933,000), of which RMB4,019,064 (2013: RMB2,966,451) had been utilised as at the end of the reporting period, are non-secured by the Group's assets.

(b) Bank loan of RMB210,056,000 is secured by a Standby Documentary Credit for RMB300,000,000 from HSBC Bank (China) Company Limited.

(c) Except for two unsecured bank loans amounting to RMB157,258,000 (2013: RMB355,739,000) 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 a maturity period of one year and a fixed interest rate of 5.7% per annum. The principal and the interest were 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 (2013: RMB14,596,000) was accrued of which RMB14,596,000 (2013: 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 2013	9,400	41,681	51,081
Deferred tax credited to profit or loss during the year (note 11)	(360)	(505)	(865)
At 31 December 2013 and at 1 January 2014	9,040	41,176	50,216
Deferred tax credited to profit or loss during the year (note 11)	(360)	(954)	(1,314)
At 31 December 2014	8,680	40,222	48,902

Deferred tax assets

	Loss available for offsetting against future taxable profits (note c) RMB'000	Deductible temporary differences RMB'000	Total RMB'000
At 1 January 2013	–	4,706	4,704
Deferred tax credited to profit or loss during the year (note 11)	2,558	1,399	3,957
At 31 December 2013 and at 1 January 2014	2,558	6,105	8,663
Deferred tax credited to profit or loss during the year (note 11)	1,952	435	2,387
At 31 December 2014	4,510	6,540	11,050

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.

(c) At the end of the reporting period, the Group had estimated tax losses arising in PRC of approximately RMB45,386,000 (2013: RMB19,842,000) that will expire in four to five years. Deferred tax assets have not been recognised in respect of the tax losses amounted to RMB27,346,000 (2013: RMB9,610,000) as they have arisen in subsidiaries that have been loss-making for some time or it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34. Long-term Bond Payable

	Group		Company	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Analysed into:				
Long term repayable:				
Within one year	**250,000**	–	**250,000**	–
In the second year	–	250,000	–	250,000
In the third year	**200,000**	–	–	–
	450,000	250,000	**250,000**	250,000

The RMB bonds totalling RMB250,000,000 and RMB200,000,000 have a maturity term of one year and three years, respectively, and bear a fixed interest rate of 8.5% per annum and 7% per annum, respectively, with interest payable semi-annually in arrears and annually in arrears, respectively.

35. Share Capital

	Number of ordinary shares		Amount		
	2014	2013	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)	31 December 2013 RMB'000 (Restated)
Issued and fully paid	**1,000,000,000**	1,000,000,000	**881,124**	881,124*	881,124*

* Equivalent to Singapore dollars ("**SGD**") 174,480,000.

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 2014 and 2013 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. The SRF is not available for dividend distribution to shareholders.

37. Note to the Consolidated Statement of Cash Flows

Major non-cash transaction – interest capitalisation

During the year, the Group capitalised interest expenses of RMB24,710,000 (2013: RMB69,720,000) 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:

	2014 RMB'000	2013 RMB'000
Within one year	**74,645**	74,672
In the second to fifth years, inclusive	**151,296**	224,945
After five years	**29,808**	30,784
	255,749	330,401

The Company had no operating lease arrangements as at 31 December 2014 and 2013.

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:

	2014 RMB'000	2013 RMB'000
Capital commitments		
Contracted, but not provided for:		
Buildings	**260,479**	380,379
Plant and machinery	**884,625**	1,144,582
Coal mines	**247,607**	51,849
	1,392,711	1,576,810
Authorised, but not contracted for:		
Plant and machinery	**102,000**	1,344,000
	1,494,711	2,920,810
Other commitments		
Purchases of raw materials	**203,800**	499

The Company had no material commitments as at 31 December 2014 and 2013.

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	2014 RMB'000	2013 RMB'000
Sales of electricity, water and steam to: *	(i)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		**1,590**	1,484
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		**14**	63
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		**173**	146
– Xinxiang Yuyuan Chemical Co., Ltd. #		**698**	696
– Xinxiang Xinlianxin Hotel Co., Ltd. #		**270**	266
Service fee income for provision of calibration and testing services to:	(ii)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		**13**	54
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		**4**	9
– Xinxiang Yuyuan Chemical Co., Ltd. #		**59**	57
– Xinxiang Xinlianxin Hotel Co., Ltd. #		**–**	1
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		**1**	2
Purchases of items of property, plant and equipment from:	(iii)		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		**24,369**	15,161
– Henan Shenzhou Heavy Sealing Co., Ltd. #		**1**	1
– Xinjiang Feng Tou		**8,089**	–
Service fee expenses for provision of lifting services from:	(iv)		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #		**6,572**	4,602
Operating lease expenses to:	(v)		
– XLX Chem		**2,239**	1,066
Catering and accommodation expenses to:	(vi)		
– Xinxiang Xinlianxin Hotel Co., Ltd. #		**4,756**	4,088
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #		**254**	994

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.

* The amounts represent gross sales of by-products. Profit generated from these sales amounting to RMB726,000 (2013: RMB707,000) is included in net profit from sales of by-products (note 6).

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)

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 31% above cost (2013: approximately 36% above cost).

(ii) The service fee income was received based on actual costs incurred.

(iii) 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.

(iv) The service fee expenses for the provision of lifting services were charged based on actual costs incurred.

(v) The operating lease expenses for the year were charged at a fixed monthly amount of RMB186,600 (2013: monthly amount of RMB40,000 for the first eight months and RMB186,600 for the last four months).

(vi) The catering and accommodation expenses were charged based on 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.

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

	2014 RMB'000	2013 RMB'000
Directors' fees	**800**	800
Salaries and bonuses	**9,282**	9,860
Contributions to defined contribution plans	**220**	148
	10,302	10,808
Comprise amounts paid to:		
– Directors of the Company	**6,246**	7,308
– Other key management personnel	**4,056**	3,500
	10,302	10,808

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

		2014			2013		
	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	–	13,298	13,298	–	15,823	15,823
Due from a related company	25	–	–	–	1,907	–	1,907
Trade receivables	22	31,790	–	31,790	9,572	–	9,572
Bills receivable	22	4,570	–	4,570	3,897	–	3,897
Deposits and other receivables	23	348,304	–	348,304	198,995	–	198,995
Pledged time deposits	24	491,713	–	491,713	148,961	–	148,961
Cash and cash equivalents	24	633,389	–	633,389	797,813	–	797,813
		1,509,766	13,298	1,523,064	1,161,145	15,823	1,176,968

Financial liabilities

		Financial liabilities at amortised cost	
	Notes	2014 RMB'000	2013 RMB'000
Due to a related company	25	1,704	–
Trade payables	26	95,574	88,171
Bills payable	27	906,765	260,143
Financial liabilities included in accruals and other payables	28	855,176	417,348
Interest-bearing bank and other borrowings	30	4,024,519	2,972,815
Short-term bond payable	31	–	300,000
Other payables		361	398
Long-term bond payable	34	450,000	250,000
		6,334,099	4,288,875

42. Financial Instruments by Category (continued)

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

Company

Financial assets

		Loans and receivables	
	Note	**2014 RMB'000**	2013 RMB'000
Due from a subsidiary	20	**350,938**	230,938
Cash and cash equivalents	24	**4,331**	5,400
		355,269	236,338

		Available-for-sale financial assets	
	Note	**2014 RMB'000**	2013 RMB'000
Available-for-sale investment	19	**5,798**	8,323

Financial liabilities

		Financial liabilities at amortised cost	
	Notes	**2014 RMB'000**	2013 RMB'000
Accruals and other payables		**8,500**	8,558
Long-term bond payable	34	**250,000**	250,000
Interest-bearing bank and other borrowings	30	**210,056**	94,983
		468,556	353,541

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	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Financial assets				
Available-for-sale investment	**5,798**	8,323	**5,798**	8,323
Financial liabilities				
Interest-bearing bank and other borrowings	**4,024,519**	2,972,815	**4,024,519**	2,972,815
Short-term bond payable	**–**	300,000	**–**	300,000
Long-term bond payable	**450,000**	250,000	**450,000**	250,000
	4,474,519	3,522,815	**4,474,519**	3,522,815

Company

	Carrying amounts		Fair values	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Financial asset				
Available-for-sale investment	**5,798**	8,323	**5,798**	8,323
Financial liability				
Interest-bearing bank and other borrowings	**210,056**	94,983	**210,056**	94,983
Long-term bond payable	**250,000**	250,000	**250,000**	250,000
	460,056	344,983	**460,056**	344,983

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged time deposits, trade receivables, bills receivable, deposits and other receivables, amounts due from/to related companies, trade and bills payables, financial liabilities included in accruals and other payables 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 amounts 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 2014 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.

The fair value of the unlisted equity investment was not disclosed because they cannot be reliably measured as the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair values.

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 2014

	Quoted prices in active markets (Level 1) RMB'000
Available-for-sale investment	**5,798**

As at 31 December 2013

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

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 (2013: Nil).

Liability measured at fair value:

The Group and the Company had no financial liabilities measured at fair value as at 31 December 2014 and 2013.

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, pledged time deposits, available-for-sales investments, due from a related company, 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 2014, none of the Group's trade receivables (2013: 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 2014					
Due to a related company	**1,704**	**–**	**–**	**–**	**1,704**
Trade payables	**95,574**	**–**	**–**	**–**	**95,574**
Bills payable	**906,765**	**–**	**–**	**–**	**906,765**
Financial liabilities included in accruals and other payables	**855,176**	**–**	**–**	**–**	**855,176**
Interest-bearing bank and other borrowings	**443,127**	**2,326,473**	**742,405**	**1,342,111**	**4,854,116**
Other payable	**361**	**–**	**–**	**–**	**361**
Long-term bond payable	**252,184**	**233,950**	**–**	**–**	**486,134**
	2,554,891	**2,560,423**	**742,405**	**1,342,111**	**7,199,830**
31 December 2013					
Trade payables	88,171	–	–	–	88,171
Bills payable	260,143	–	–	–	260,143
Financial liabilities included in accruals and other payables	417,348	–	–	–	417,348
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
	1,210,467	1,739,964	1,587,974	–	4,538,405

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 2014					
Accruals and other payables	**12,167**	**–**	**–**	**–**	**12,167**
Interest-bearing bank and other borrowings	**218,236**	**210,056**	**–**	**–**	**428,292**
Long-term bond payable	**252,184**	**–**	**–**	**–**	**252,184**
	482,587	**210,056**	**–**	**–**	**692,643**
31 December 2013					
Accruals and other payables	16,260	–	–	–	16,260
Interest-bearing bank and other borrowings	–	94,983	–	–	94,983
Long-term bond payable	21,250	271,250	–	–	292,500
	37,510	366,233	–	–	403,743

(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.

44. Financial Risk Management Objectives and Policies (continued)

(c) Interest rate risk (continued)

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	**2014 RMB'000**	2013 RMB'000
Interest expense			
RMB	10	**(3,068)**	(2,363)
USD	10	**(270)**	(222)
Interest income			
RMB	10	**535**	790
USD	50	**16**	70

(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:

	2014 RMB'000	2013 RMB'000
SGD	**143**	136
USD	**(363,471)**	(339,306)
HKD	**71**	–
	(363,257)	(339,170)

44. Financial Risk Management Objectives and Policies (continued)

(d) Foreign currency risk (continued)

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.

		2014 RMB'000	2013 RMB'000
SGD	– strengthened 5% (2013: 5%)	**7**	8
	– weakened 5% (2013: 5%)	**(7)**	(8)
USD	– strengthened 2% (2013: 2%)	**(7,269)**	(6,781)
	– weakened 2% (2013: 2%)	**7,269**	6,781
HKD	– strengthened 1% (2013: 1%)	**1**	–
	– weakened 1% (2013: 1%)	**(1)**	–

45. Event after the Reporting Period

On 10 February 2015, the Group entered into a sale and purchase agreement with an independent third party to purchase 100% interest in Manas TianXin Coal Co., Ltd. ("**Manas TianXin**"), which is engaged in the mining and sale of coal in Xinjiang province, PRC, for a purchase consideration of RMB94,440,000 in the form of cash.

Because the acquisition of Manas TianXin was effected shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

46. 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 2014 and 2013.

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 2014 and 2013.

46. Capital Management (continued)

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%.

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

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

47. Comparative Amounts

As further explained in note 2.1 to the financial statements, due to the first time adoption of IFRS during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2013 has been presented.

48. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2015.

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				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
RESULTS					
REVENUE	**5,081,748**	3,968,946	3,945,584	3,688,233	2,851,403
Cost of sales	**(4,182,984)**	(3,221,247)	(3,225,942)	(3,181,860)	(2,487,342)
Gross profit	**898,764**	747,699	719,642	506,373	364,061
Other income and gains	**56,272**	26,302	29,080	23,986	16,664
Selling and distribution expenses	**(197,946)**	(82,242)	(69,462)	(70,500)	(38,686)
General and administrative expenses	**(242,789)**	(275,984)	(202,493)	(136,059)	(104,150)
Other expenses	**(10,976)**	(9,079)	(22,387)	(20,025)	(8,461)
Finance costs	**(218,020)**	(95,073)	(82,359)	(78,930)	(53,447)
PROFIT BEFORE TAX	**285,305**	311,623	372,021	224,845	175,981
Income tax expense	**(48,579)**	(52,230)	(61,020)	(44,337)	(31,410)
PROFIT FOR THE YEAR	**236,726**	259,393	311,001	180,508	144,571
Attributable to:					
Owners of the parent	**240,796**	264,052	311,121	180,508	144,571
Non-controlling interest	**(4,070)**	(4,659)	(120)	–	–
	236,726	259,393	311,001	180,508	144,571
ASSETS AND LIABILITIES					
TOTAL ASSETS	**9,588,469**	7,302,884	5,117,217	4,187,695	3,195,356
TOTAL LIABILITIES	**(6,915,013)**	(4,789,033)	(2,788,785)	(2,126,018)	(1,605,866)
	2,673,456	2,513,851	2,328,432	2,061,677	1,589,490

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"	Henan Xinlianxin Fertiliser Co., Ltd., a wholly owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on the SEHK
"NC"	Nomination Committee of the Company
"PRC" or "China"	The People's Republic of China
"RC"	Remuneration Committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore dollars
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Singapore Exchange" or "SGX-ST"	Singapore Exchange Securities Trading Limited
"Shareholders"	Shareholders of the Company
"XLX Chem" or "Henan Chem"	Henan Xinlianxin Chemicals Group Co., Ltd.

China XLX Fertiliser Ltd.
中國心連心化肥有限公司*
(Incorporated in Singapore with limited liability)

Hong Kong Stock Code: 1866

* For identification purpose only

MIX
Paper from responsible sources
FSC™ C004888
www.fsc.org

This annual report is printed on FSC™ Certified Paper. Pulps used are chlorine-free and acid-free. The FSC™ logo identifies products which contain wood from well-managed forest certified in accordance with the rules of the Forest Stewardship Council®.

Design and Production: **i.Link Group Limited**
www.ilinkfin.com