HIGH-EFFICIENCY FERTILISERS IN CHINA

Annual Report 2015

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

Contents

China XLX Culture

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

Integrity

China XLX establishes its corporate culture upon integrity.

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

Discipline

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

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

Committed

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

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.

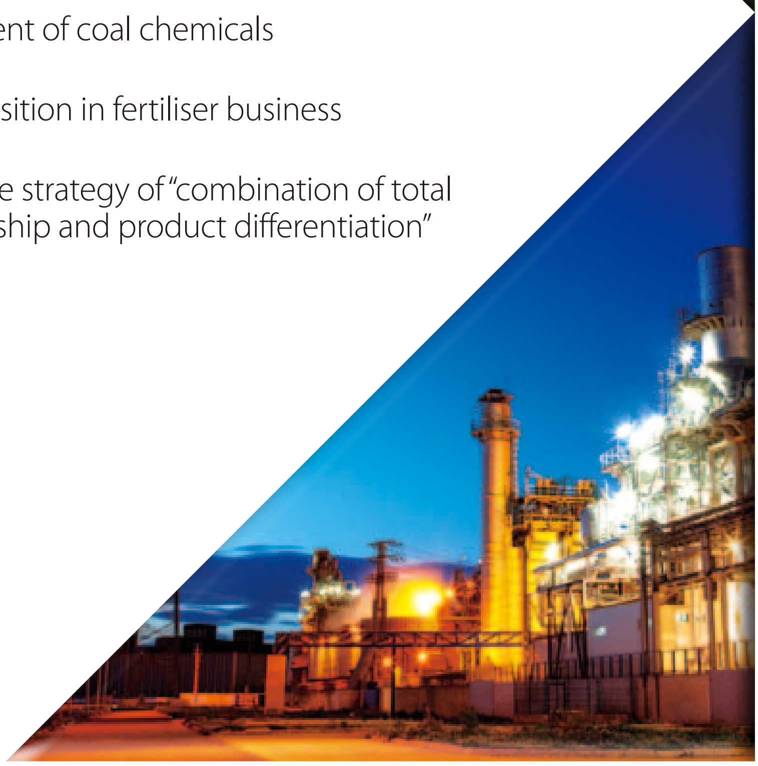
Vision

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.

Three adherences

- Development of coal chemicals
- Leading position in fertiliser business
- Competitive strategy of "combination of total cost leadership and product differentiation"



Four leading aspects

- Cost efficiency
- Advanced technology
- Brand marketing
- Safety and environmental protection

Industry-leading

cost

efficiency

Industry-leading
advanced
technology

Market-leading brand marketing


致力于成为中国最受尊重的化肥企业集团
村淘官方店

Industry-leading safety and environmental protection

A Letter to Investors

Dear Valued Investors,

I would like to extend my gratitude for your continuous support and trust on China XLX. I am honored to report on the results and development achieved by the Group in 2015, and to introduce our vision and plans for the coming year.

Economic environment remained in the doldrums and the urea market was at first rising and then tumbled in 2015. In the face of volatile market condition, we assessed the situation, dug deeply into our own potential, seized market opportunities, put greater efforts in brand promotion and marketing, continued to improve the sales volume and profit of our products with high-tech elements, coupled with processing advantages in differentiation strategy and implementing new technologies, various financial indicators increased dramatically. At the same time, the fifth production plant of the Group located in Manas County, Xinjiang ("**Plant V**") has one-off commenced successfully, and has achieved the production standard in a short period of time. Considering both Shareholders' benefits and return, the Board of the Company declared a final dividend of RMB8.3 cents per share for the FY2015.

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

- The Group's second production base – Plant V located in Manas County, Xinjiang has been completed its construction and commenced production. Having total annual urea production capacity of over 2,600,000 tons, hence further consolidating the Group's position as one of the largest single scale urea production units in the PRC. At the same time, the Group can take full advantages of "One Belt, One Road" and the Western Development preferential policies of the Chinese central government, to further strengthen the overall competitiveness and enhance the industry position of the Group.

- After the signing of the cooperation agreement between the Group and Alibaba Group, the Company's brand "雙心" officially entered Alibaba Rural Taobao (農村淘寶). On one hand this can further enrich the Company's sales channels, on the other hand the two parties can jointly promote the development of agricultural e-commerce with their superior resources. In addition, during the Ali Group Spring Ploughing Ceremony Meeting (阿里集團春耕節會議), the Group was awarded the Alibaba "Outstanding Corporate Award" and "Most Influential Award" of the agricultural industry in the year 2015, becoming the only enterprise getting the two awards.

- The Company's wholly owned subsidiary, Henan XLX, was recognised as the "Ammonia Energy Consumption Leader" award for four consecutive years, which further strengthened the Group's leading position in the industry in terms of energy saving and efficiency enhancement.

- The Group was awarded the "New/High Tech Enterprise Award" issued by the Henan Provincial Government again since 2011 and continued to enjoy tax concession.

- Henan XLX and Hefei Institute of Chinese Academy of Sciences carried out the second phase of cooperation project, which mainly focused on research and development of high-efficiency fertilisers with new concepts, enhancing the innovation capability of the corporate's high-efficiency fertilisers and building innovative platform for high-efficiency fertilisers, thus further raising the Group's core product technology contents and increasing the corporate's profitability.

- After review and approval by the Science and Technology Department of Henan Province, Henan XLX established the Henan XLX Fertiliser Research Academician Workstation ("Academician Workstation"). It is also the first fertiliser research academician workstation in Henan Province.

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

Better tomorrow is our corporate's mission, and it is the dream of all China XLX people to strive for a strong corporate. In accordance with the Group's "**13th Five-Year**" overall development strategy, we stick to the development of coal chemicals; further make fertiliser business bigger and stronger; adhere to produce good fertiliser; adhere to the competitive strategy of "**combination of total cost leadership and product differentiation**"; gradually achieve industry-leading cost consumption, industry-leading, technology level, market-leading brand marketing and industry-leading safety and environmental protection in the name of "**Pioneer of High-Efficiency Fertilisers in China**". We 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, and strive to become **"the most respected enterprise in the chemical fertiliser industry in China"**.

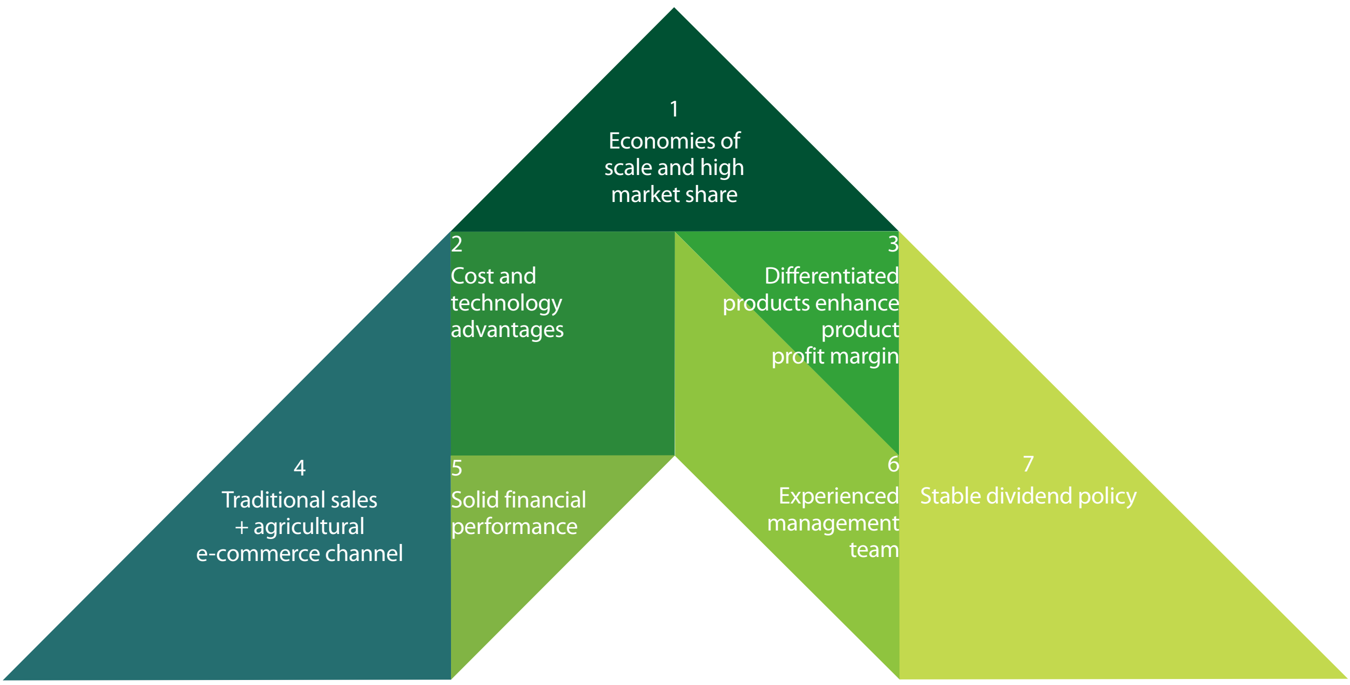
Looking forward, the road leading to dream has no end and we will still stride forward. We always believe, and the Shareholders rest assured, that China XLX will live up to the Shareholders' expectations, and our future must be better!

LIU Xingxu
Chairman of the Board
11 March 2016

Company Profile

- Leading enterprise in the PRC chemical fertiliser industry
- Largest single scale urea producer in the PRC
- The first producer mastering the production of control release patented technology in the PRC
- The most cost-effective urea producer in the PRC (Honourably recognised as "Ammonia Energy Consumption Leader" for four consecutive years)
- New/High Tech Enterprise in the PRC (enjoying preferential income tax rate of 15%)

China XLX was incorporated with limited liability on 17 July 2006 in Singapore under the Companies Act, 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 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 most respected enterprise in the chemical fertiliser industry in the PRC**". The principal activity of the Company is investment holding and the principal activities of its principal subsidiary, namely Henan XLX, are research and development, manufacturing, sales and trading of urea, compound fertiliser, methanol, furfuryl alcohol, vehicle urea, melamine and related differentiated products. Currently, its annual production capacity of urea, compound fertiliser and methanol are 2,600,000 tons, 1,100,000 tons and 300,000 tons, respectively. China XLX has been listed on the Main Board of the SEHK 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

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)*
LIU Xingxu
ONG Kian Guan
ONG Wei Jin

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

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
Agricultural Bank of China
HSBC

Registered Office

80 Robinson Road
#02-00, Singapore 068898

Headquarters and Principal Place of Business in PRC

Xinxiang Development Zone
Henan Province
PRC 453731

Stock Code

Hong Kong Stock Code: 1866

Corporate Website

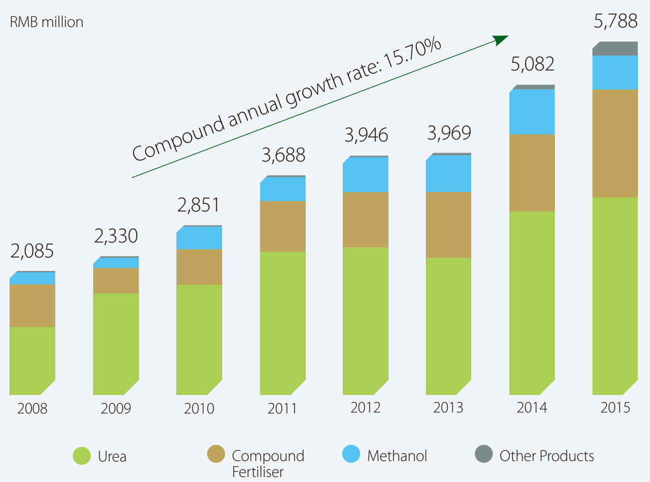
www.chinaxlx.com.hk

Financial Highlights

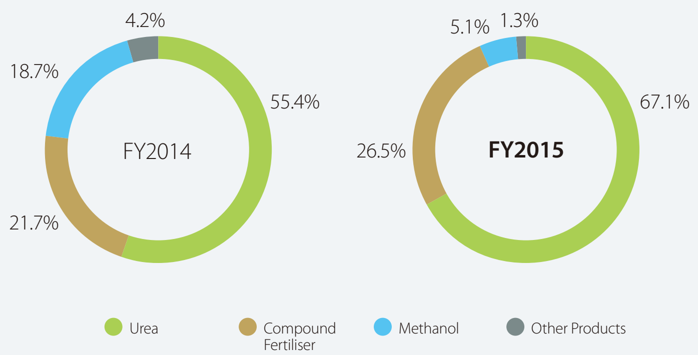
Results performance of 2015

(RMB million)	2014	2015	Change (%)
Revenue	5,082	5,788	13.9
Cost of sales	(4,183)	(4,465)	6.7
Gross profit	899	1,324	47.2
Profit before tax	285	478	67.7
Income tax expense	(48)	(70)	45.8
Net profit	237	408	72.2
Basic and diluted earnings per share (RMB cents)	20.48	34.76	69.7
Dividend per share (RMB cents)	6.00	8.30	38.3
Gearing ratio (%)	69.97	71.20	1.76

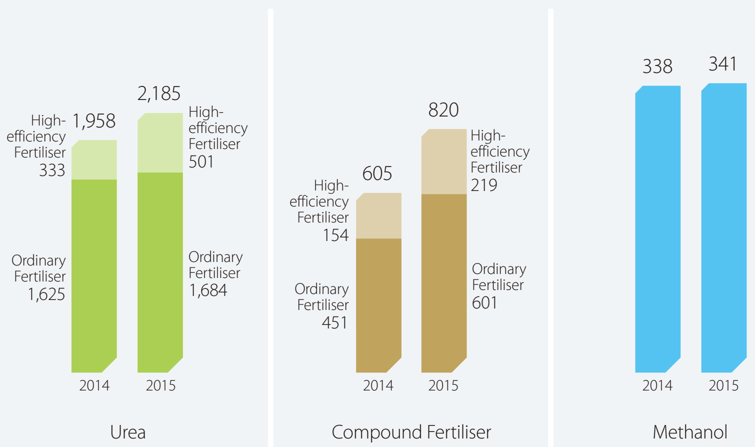
Total revenue continued to grow steadily



Gross profit breakdown by segment



Sales volume breakdown by segment ('000 tons)



Major Events in 2015

January

Liu Xingxu, the Chairman of the Board and the Chief Executive Officer of the Company, named "**Henan Economic Celebrity of the year 2014**"

The Group signed the cooperation agreement with Nanyang Oriental Application Chemical Research Institute

February

The Group was awarded the "**New/High Tech Enterprise Award**" issued by the Henan Provincial Government again since 2011 and continued to enjoy tax concession

March

The board of China Nitrogen Fertiliser Industry Association held a re-election. Liu Xingxu, the Chairman of the Board and the Chief Executive Officer of the Company, became an expert consultant of the advisory committee. Zhang Qingjin, the Executive Director, became the deputy director

April

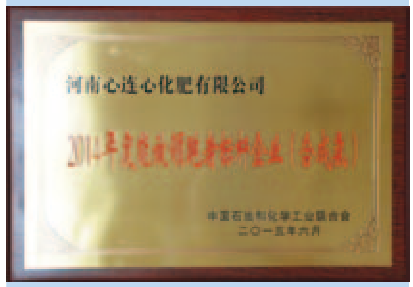
The Group's furfuryl alcohol project successfully commenced production

Liu Xingxu, the Chairman of the Board and the Chief Executive Officer of the Company, was awarded the title of "**Model Worker of China**"

May

The Group cooperated with Chinese Academy of Science again and signed the second cooperation agreement

June



Henan XLX was recognized as the national "**Ammonia Energy Consumption Leader**" for the fourth consecutive year

The Group became the first group of national "**Industrial Product Ecological Design Pilot Enterprises**" (工業產品生態設計試點企業) and was recognised as the "**Technology Innovation Demonstration Enterprise in Henan Province**" (河南省技術創新示範企業)

July

Henan XLX was approved to establish the "**Henan XLX Fertiliser Research Academician Workstation**" (the first fertiliser research academician workstation in Henan Province)

August

The construction of the Group's Plant V located in the coal-producing area in Xinjiang has been completed and its production has also commenced successfully

After the signing of the cooperation agreement with Alibaba Group, the Group officially entered Alibaba Rural Taobao (農村淘寶)

September

The northeast compound fertiliser base of the Company officially commenced production with an expected annual production of 50,000 tons

The Group signed a contract with Chinese Academy of Agricultural Sciences, cooperating on the construction of fertiliser collaboration network

October

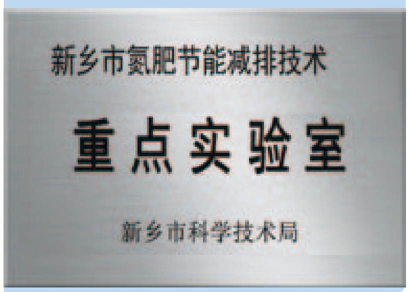
Li Yushun, the Chief Engineer and Deputy General Manager of the Group, and Gu Zhaohui, Deputy Chief Engineer of the Group received special government allowances

November

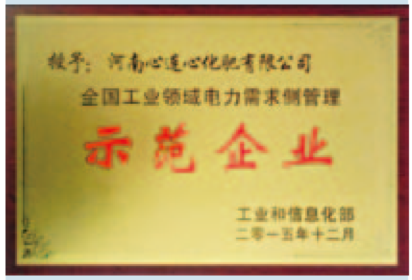
Henan XLX was recognised as the "**Henan Top 100 Private Enterprises**" (河南民營百強企業) again

Henan XLX was recognised as the "**2015 China Top 10 Supply Chain Management Enterprises in Petrochemical Industry**" (二零一五年中國石化行業供應鏈管理十佳企業)

The Group was granted the "**Key Laboratory of energy saving and emission reducing technology of nitrogen fertiliser of Xinxiang**" (新鄉市氮肥節能減排技術重點實驗室)



December

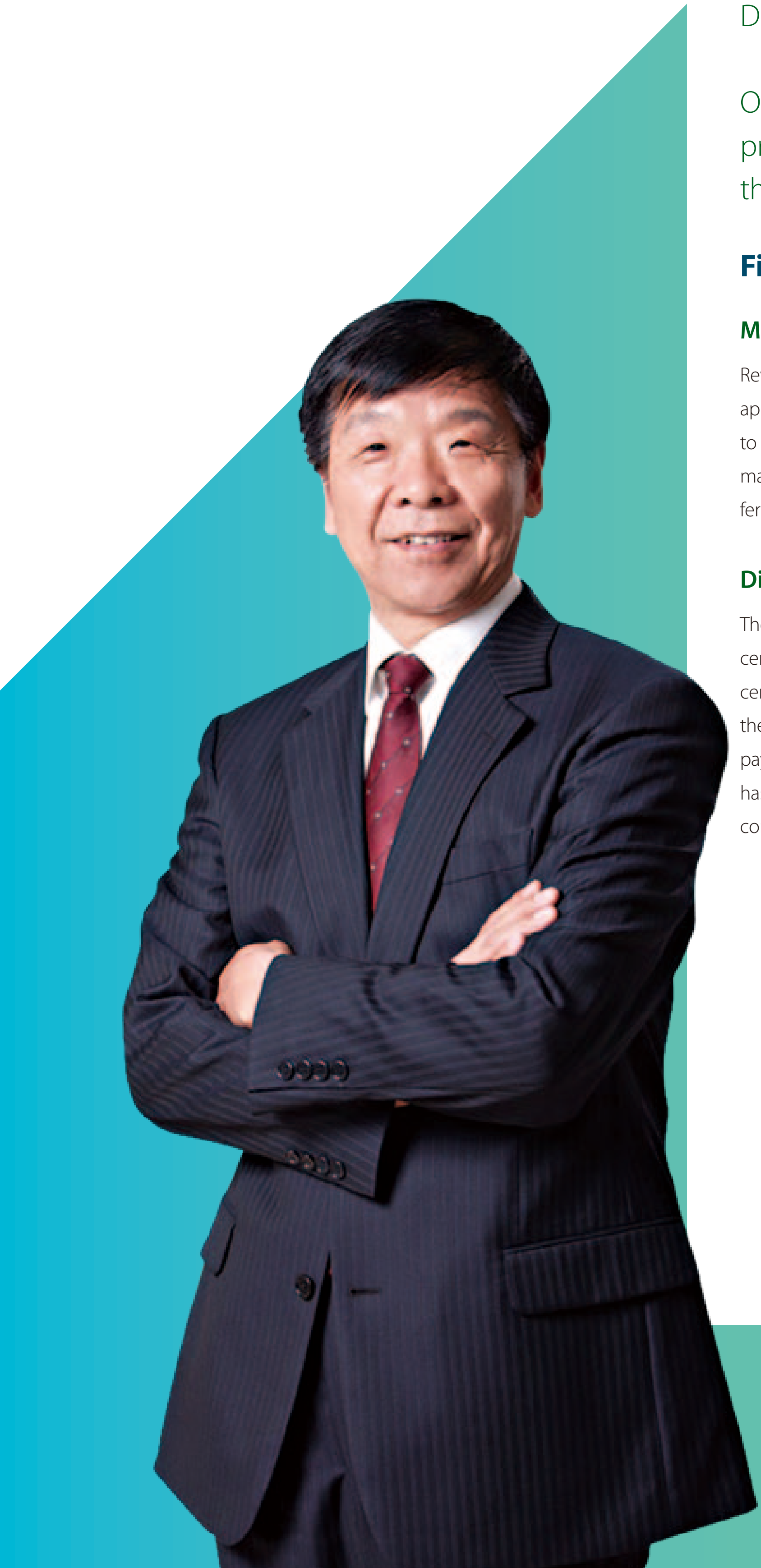


Henan XLX was recognised as the "**2015 Electricity Demand Side Management Demonstration Enterprise in National Industry Field**" (二零一五年全國工業領域電力需求側管理示範企業)

The Group adopts clean coal gasification technology for the raw material structural adjustment project, awarding the "**National Quality Engineering Award**" (全國優質工程獎)

The Group was awarded as the 2015 "**Good Product in Farmers' Mind**" (農民心中的好產品)

Chairman's Statement



Dear Shareholders,

On behalf of the Board, I am pleased to present the audited financial statements of the Group for FY2015 to you.

Final Results

Maintaining Stable Revenue Growth

Revenue for FY2015 increased by approximately RMB706 million or approximately 13.9% from approximately RMB5,082 million in FY2014 to approximately RMB5,788 million. The increase of revenue was mainly due to the increase in sales volume of urea and compound fertiliser.

Dividends and Dividend Payout Ratio

The Board proposed the payment of a final dividend of RMB8.3 cents per share for the year ended 31 December 2015 (2014: RMB6 cents) on 16 June 2016 to Shareholders whose names appear on the Company's Register of Members on 24 May 2016. The dividend payout ratio was 20% of profit after tax. The dividend payout ratio has remained above 20% of net profit after tax of the Group for nine consecutive years from 2007 to 2015.

Profitability

In 2015, the Group's plant I, plant II, plant III and plant IV achieved stable and efficient operation and the newly operated urea plant V achieved the target. Overall profit margin increased from 17.7% in FY2014 to 22.9% in FY2015 due to the increase in urea and compound fertiliser gross profit margin. The profit for the year increased 72.2% from RMB237,000,000 in FY2014 to RMB408,000,000 in FY2015.

Urea

Gross profit margin for urea sales increased from approximately 16.6% in FY2014 to approximately 27.4% in FY2015 despite the decrease in average selling price of urea of approximately 3.5%. The improvement of gross profit margin for urea sales was mainly due to the lower coal prices and outstanding performance of the Production Plant IV which cut down the average cost of sales by approximately 16% as compared with that of FY2014.

Compound fertiliser

Gross profit margin for compound fertiliser increased from approximately 15.7% in FY2014 to approximately 19.9% in FY2015. This was mainly due to the increase in average selling price by approximately 4.6% resulted from the increasing proportion of high-efficiency fertilisers.

Methanol

Gross profit margin for methanol decreased from approximately 25.0% in FY2014 to approximately 12.4% in FY2015. This was mainly due to the decrease in average selling price of methanol affected by the weak international energy prices.

Development Strategy

Strategic Planning: "Adhere to Produce Good Fertiliser"

Development directions

Stick to the development of coal chemicals;
Further make fertiliser business bigger and stronger;
Adhere to the competitive strategy of "**combination of total cost leadership and product differentiation**";
Strive to become "**the most respected enterprise in the chemical fertiliser industry in China**".

Strategic objectives

Focus on "**technical innovation, product innovation, marketing innovation, service innovation**";
Strive to build the core technology competitiveness in the field of nitrogen fertiliser, fertiliser production and product development;
Enhance marketing service professional standards, highlighting the sound brand position of "**Pioneer of High-efficiency Fertiliser in China**".

Corporate Governance

With its mission to serve the best interests of the 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 six Board meetings in the year 2015 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. For internal audit: internal audit was mainly conducted by the internal audit team of the Group in 2015, focusing on enhancing internal risk control over fixed assets, capital management, financial report, purchasing, inventory, security of funds and other key processes, 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 investors, so that they can obtain all necessary information on a timely manner to make informed investment decisions. Please refer to the "**Investor relations**" section of this annual report for more details.

Prospects

I am confident that the Group will be well positioned to meet the challenges in 2016. My confidence is founded on several factors as below:

1. Corporate Expansion with Cost Efficiency Enhanced

Following the stable operation of the Group's urea plant IV since 2014, in 2015, the Group's second production base - Plant V located in Manas County, Xinjiang has completed its construction and commenced production. Having total annual urea production capacity of over 2,600,000 tons, hence further consolidating the Group's position as one of the largest single scale urea production units 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. It is worth mentioning that Henan XLX was recognised as the "**Ammonia Energy Consumption Leader**" for four consecutive years, ranking no.1 in the industry in terms of cost control.

2. Innovative Technology Driven by Product Mix Upgrading

As society develops, new types of fertiliser that are environmentally-friendly and highly efficient have become the development trend in modern agriculture. By adhering to its strategy of "**combination of total cost leadership and product differentiation**", the Group accelerated its product upgrade. In 2006, the Group has 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 stood at the forefront of the industry in research and development of new fertilisers. In 2015, the Group and Hefei Institute of Chinese Academy of Sciences carried out the second phase of cooperation project, developing and promoted a series of environmentally-friendly, labour-saving, new-concept high-efficiency fertiliser products. Moreover, following its establishment of a "**postdoctoral research station**" with approval in 2013 and its establishment of the "**China Nitrogen Fertiliser Industry (XLX) Technology Research Centre**" authorised by China Nitrogen Fertiliser Industry Association in 2014, the Company was authorised to establish the "**Henan XLX Fertiliser Research Academician Workstation**" (the first fertiliser research academician workstation in Henan Province) in 2015, aiming to further accelerate product innovation and promote technological progress in the industry.

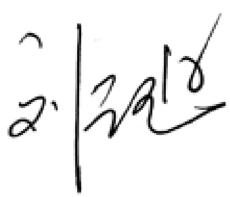
3. Strong Brand Image Building of "Pioneer of High-efficiency Fertiliser in China" with Enhanced Marketing

In 2015, the Group conducted activities focusing on building its brand image as "**Pioneer of High-efficiency Fertiliser in China**", highlighting the leading role of marketing and strengthening its terminal services in a market-and-customer-oriented manner. Meanwhile, it strengthened online and offline marketing and service capabilities and carried out upgraded marketing. An effective marketing model adapting to modern agricultural development and market competition has been built. At the same time, the Company continues to invite Mr. Tang Guoqiang, the domestic famous performing artist, as our brand spokesman to build the brand image of "**Pioneer of High-efficiency Fertiliser in China**" by store construction, television advertising, marketing training, agricultural services, demonstration field (village) construction and other promotion.

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 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 Company's management team, all the staff, customers and friends who have been caring for and supporting us. In 2016, the Group's senior management and staff continue working cohesively under the leadership of the Board to endeavour to achieve better performance and investment returns for the Shareholders through its strategy of "**combination of total cost leadership and product differentiation**".



LIU Xingxu
Chairman of the Board
11 March 2016

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 Shareholders, 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**" years ago.

Environmental Protection and Sustainable Development

The Group places much importance on environmental protection, energy-saving and emission reduction, continuously processes environmental transformation of production systems, promotes the implementation of clean production, and continuously formulates and improves a series of regulation policies to improve our environmental management, laying a solid foundation for future development.

As China places greater emphasis on environmental pollution control, the Group correspondingly increases environmental investment, optimising and improving dust control, environmental noise control, water resources utilisation. In 2015, the Group invested approximately RMB42 million in environmental protection funds, of which RMB8 million was used in dust control in urea granulation towers, material yards and boiler discharge sites, reducing environmental dust emission quantity and dust in production sites; RMB22 million was used in urea plant exhaust emission treatment, recycling ammonia in exhaust emission, reducing the effect on the environment and air quality caused by the harmful gases emissions; RMB2 million was used in upgrading environmental noise reduction, improving the noise impact on the surrounding environment of the site; RMB10 million was used in the configuration and optimisation of system cooling water, the optimisation and improvement of reclaimed water recycling, a series of upgrade in sewage release combination treatment, water saving while reducing the amount of pollutants, which enable classification and consolidated use of water resources. This represented the social responsibility and cost consciousness of the Group. Currently, the pollutant emissions level of the Group is far below national standards. Wastewater emission: COD<40mg/L (standard as 50 mg/L), ammonia <2mg/L (standard as 5 mg/L), exhaust gas emission SO2<50mg/m^3 (standard as 200 mg/m^3), NOX<100mg/m^3 (standard as 200 mg/m^3). In regard to energy utilisation, 8,909 tons of standard coal were saved in 2015, and accumulative 168,800 tons of standard coal were saved during the "12th Five-Year", exceeding the binding energy saving target of 99,100 tons issued by the government during the "12th Five-Year" period. Further, the Group has ensured accomplishment of its target for environment-friendly emission through application of the comparison management model, incentive environmental targets and other measures by virtue of the environmental information platform, which helped the Group win such honours as 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 four consecutive years. Meanwhile, the Group has taken the initiative to carry out environmental management system, energy management system review, and constantly enhance environmental protection and foundation management of energy.

The Group 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 construction of 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 corporate production, with specific objectives, missions and duties assigned to specific staff, as a result of which agreeable results have been achieved both in improvement of energy saving and environment protection technology and scientific management.

Safety Management Enhancement

In 2015, the Group continued to deepen its cooperation with DuPont, and continued to promote safety management enhancement project. The specific works commenced include four aspects: process safety, equipment safety, behaviour safety, safety culture creation. The project is processing in an orderly way with regular review, summary, solidification and operation mechanism enhancement. Ten works were completed and optimised continuously in 2015, including the completion of key equipment identification, equipment/channel fixed point thickness measurement management, system flowchart drawing, high-risk work security management and other works. There are ten ongoing processing improvement works, including lubrication management, maintenance procedures management, incident management, contractor management and other works. In 2015, the four sub-committees, including process safety, equipment safety, advertisement and contractor safety, have been set up and have commenced operation, while "DuPont Project Promoting Process Monthly Performance Appraisal Approach" has been implemented as an approach of incentive measures, thus effectively promote the project undertaken.

Safety Culture Creation and Strict Supervision Enhance Safety Management

In 2015, the Group introduced the "Safety Principles" as the basic principle and the supreme statement of the Group in terms of production safety, and it is the basic attitude and belief of safety for all employees of the Group. After the introduction of the "Safety Principles", all employees have highly recognised the "Safety Principles" through systematic and careful interpretation of all units.

In accordance with the statistical results of the accidents and attempted events in the history of the Group, the Group has introduced the most stringent "Safety Prohibition Management Approach" and "High-risk Behaviour Management Approach" in the Group's history, and has also set up an inspection team to carry out uninterrupted daily supervision of the whole Group. The discovery of unlawful activities would be treated seriously in accordance with the requirements of safety prohibition and high-risk behaviour management. On-site violations have been reduced significantly after the effective implementation during the year.

Scientific Emergency Management

In March 2015, the Group held emergency team flag presentation ceremony as the formal establishment of emergency team. The Red Cross organised first aid trainings with five groups for the emergency team members of the Group, including the theories and practices of CPR, wound bandaging, poisoning first-aid, so that the professional emergency rescue team obtained higher emergency rescue capabilities, and they received certificates after internal evaluation. Since then, the Group has established a professional emergency team of 303 members, and the emergency rescue management of the Group has become more scientific and standardised.

In regard to occupational health management, the Group has always attached importance and actively carried out occupational health and safety management, and has imposed critical control in the following ways:

1. Site inspection of dust, ammonia, hydrogen sulfide, carbon monoxide, methanol, noise and other occupational hazards are conducted annually.

2. Physical examinations are conducted among the employees of the Group before work, while physical examinations will be organised for staff exposed to occupational hazards, and individual occupational health monitoring files will be prepared based on physical examinations. Besides, its employees will receive physical examinations when off duty to ensure their physical health.

3. The effects of occupational hazards to employees can be eliminated through engineering techniques and management methods. The Group has invested significantly for better soundproof and noise reduction in the operating rooms near large rotating equipment, effectively reduce noise to an acceptable range and protect the health of employees.

Through continuous efforts in occupational health and safety, not only did the Group achieve the stated objectives of zero significant damage and zero occupational disease in 2015, but also the safety awareness and behaviour of the employees have made great progress, granting a firm guarantee for the safety production of the Group.

Public-Spirited Passion and Contribution to Society

It is the philosophy of social responsibility of the Group to honour "integrity in business operations and taxation by law". The Group always adheres to integrate corporate benefit and social benefit, integrate corporate development and environmental protection, and always places social benefit higher than corporate benefit. The Group also adheres to the development belief of "saving our Earth before saving our wealth, better selling gold for green". In 2015, the Group paid RMB180 million taxes in total. Meanwhile, the Group is keen to participate in social services concerning environmental protection, education, culture, sports, science, sanitary affairs, community construction and poverty alleviation, dedicates to devoting itself and providing returns to society.

(I) Business Review

Revenue

Revenue for FY2015 increased by approximately RMB706 million or approximately 13.9% from approximately RMB5,082 million in FY2014 to approximately RMB5,788 million. The increase of revenue was mainly due to the increase in sales volume of urea and compound fertiliser.

Urea

Revenue derived from the sales of urea increased by approximately RMB231 million or approximately 7.7% from approximately RMB3,005 million in FY2014 to approximately RMB3,236 million in FY2015. The increase was mainly attributable to the sales volume of urea increased by approximately 227,000 tons or approximately 11.6% from approximately 1,958,000 tons in FY2014 to approximately 2,185,000 tons in FY2015 due to the commencement of production of the Xinjiang Plant V. The increase in sales volume was partially offset by the decrease in average selling price of urea by approximately 3.5%.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB520 million or approximately 41.7% from approximately RMB1,246 million in FY2014 to approximately RMB1,766 million in FY2015. Such increase was mainly attributable to the increase in sales volume by approximately 215,000 tons or approximately 35.5% from approximately 605,000 tons in FY2014 to approximately 820,000 tons in FY2015 due to the expansion of sales network; and the increase in average selling price of compound fertiliser by approximately 4.6% due to the increase in sales of high-efficiency fertilisers.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB124 million or approximately 18.5% from approximately RMB672 million in FY2014 to approximately RMB548 million in FY2015. Such decrease was mainly attributable to the decrease in the average selling price of methanol by approximately 19.2%.

Profitability

Overall profit margin increased from approximately 17.7% in FY2014 to approximately 22.9% in FY2015 due to the increase in urea and compound fertiliser gross profit margin. The increase was partially offset by the decrease in methanol gross profit margin.

Urea

Gross profit margin for urea sales increased from approximately 16.6% in FY2014 to approximately 27.4% in FY2015 despite the decrease in average selling price of urea of approximately 3.5%. The improvement of gross profit margin for urea sales was mainly due to the lower coal prices and outstanding performance of the Production Plant IV which cut down the average cost of sales by approximately 16% as compared with that of FY2014.

Compound fertiliser

Gross profit margin for compound fertiliser increased from approximately 15.7% in FY2014 to approximately 19.9% in FY2015. This was mainly due to the increase in average selling price by approximately 4.6% resulted from the increasing proportion of high-efficiency fertilisers.

Methanol

Gross profit margin for methanol decreased from approximately 25.0% in FY2014 to approximately 12.4% in FY2015. This was mainly due to the decrease in average selling price of methanol affected by the weak international energy prices.

Other income and gains

Other income and gains increased by approximately RMB25 million from approximately RMB56 million in FY2014 to approximately RMB81 million in FY2015. The increase was mainly due to the increase of subsidy income, bank interest income and compensation income by approximately RMB14 million, RMB11 million and RMB3 million respectively in FY2015. The increase was partially offset by the decrease in net profit from sale of by-products and waste products by approximately RMB6 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB149 million from approximately RMB198 million in FY2014 to approximately RMB347 million in FY2015. Such increase was mainly due to the increase of advertisement expenses, salaries, travelling and transportation expense, loading and uploading costs and car maintenance expenses of approximately RMB44 million, RMB34 million, RMB26 million, RMB15 million and RMB15 million, respectively. The increase in advertisement expenses was to improve the Group's product brand awareness, especially to promote the sales of high-efficiency fertilisers. The increase in other selling and distribution expenses is mainly due to the rapid expansion of the Group's sales networks and the growth of sales volumes such as the commencement of production of Xinjiang Project and the expansion of compound fertiliser production capacity in FY2015.

General and administrative expenses

General and administrative expenses increased by approximately RMB74 million from approximately RMB243 million in FY2014 to approximately RMB317 million in FY2015. The increase was mainly due to the increase in salaries and directors' remuneration, welfare and employee contributions, depreciation and amortisation costs, research and laboratory expenses, repair expenses, consultation fees and consumables of approximately RMB30 million, RMB16 million, RMB11 million, RMB6 million, RMB5 million, RMB4 million and RMB3 million, respectively. The increase of such expenses was in line with the Group's expansion.

Other expenses

Other expenses increased by approximately RMB22 million from approximately RMB11 million in FY2014 to approximately RMB33 million in FY2015 mainly due to the increase in loss on disposal of items of property, plant and equipment and unrealised exchange losses, net by approximately RMB14 million and RMB7 million, respectively.

Finance costs

Finance costs increased by approximately RMB10 million from approximately RMB218 million in FY2014 to approximately RMB228 million in FY2015 mainly due to the increase in balances of interest-bearing bank and other borrowings incurred in FY2015 as compared with FY2014.

Income tax expense

Income tax expense increased by approximately RMB21 million from approximately RMB49 million in FY2014 to approximately RMB70 million in FY2015 due to higher taxable profits generated by the Group.

Profit attributable to owners of the parent

The profit attributable to owners of the parent increased by approximately RMB168 million or approximately 69.8% from approximately RMB241 million in FY2014 to approximately RMB409 million in FY2015. This was mainly due to the increase in gross profit, and other income and gains of approximately RMB425 million and RMB25 million, respectively. The increase in profit attributable to owners of the parent in FY2015 was partially offset by the increase in selling and distribution expenses, general and administrative expenses, other expenses and income tax expense of approximately RMB149 million, RMB74 million, RMB22 million and RMB21 million, respectively.

(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%.

	2015	2014
	RMB'000	RMB'000
Trade payables	**140,229**	95,574
Bills payable	**998,738**	906,765
Accruals and other payables	**1,193,612**	1,344,779
Due to related companies	**8,805**	1,704
Interest-bearing bank and other borrowings	**4,458,951**	4,024,519
Other payables	**116,777**	361
Long-term bonds payable	**800,000**	450,000
Less: Cash and cash equivalents	**(581,355)**	(633,389)
Less: Pledged deposits	**(397,884)**	(491,713)
Net debt	**6,737,873**	5,698,600
Equity attributable to owners of the parent	**3,001,017**	2,674,955
Less: Statutory reserve fund	**(275,880)**	(229,180)
Total capital	**2,725,137**	2,445,775
Capital and net debt	**9,463,010**	8,144,375
Gearing ratio	**71.20%**	69.97%

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

Loans

Amounts payable in one year or less, or on demand

	As at 31 December 2015		As at 31 December 2014	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	**RMB'000**	RMB'000	RMB'000
Bank loans	**287,873**	**602,295**	210,056	219,354

Amounts payable after one year

	As at 31 December 2015		As at 31 December 2014	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	**RMB'000**	RMB'000	RMB'000
Bank loans	**178,000**	**3,386,238**	–	3,589,654
Loan from government	**–**	**4,545**	–	5,455
RMB bonds	**–**	**800,000**	–	450,000
	178,000	**4,190,783**	–	4,045,109

Details of collateral

As at 31 December 2015, the Group had a short-term loan of approximately RMB288 million secured by pledged time deposits (2014: RMB210 million).

(III) Prospects

In 2016, as affected by the international macro-economic downturn, the domestic urea market has been in recession since the fourth quarter of 2015. The weak selling price of urea will speed up the industry consolidation by causing more obsoleted capacity to be forced out of the market and the advantageous corporates to be more competitive. With the strong domestic agricultural demand for urea products, the urea prices are expected to get some improvement in the second half of 2016.

The Group's newly operated Xinjiang Plant V will further enhance its advantage in cost efficiency after operation ramp-up in the second half of 2015. The Xinjiang Plant V has adopted the most advanced technology similar to that of the Production Plant IV and is able to enjoy lower feedstock procurement prices compared against the existing production lines located in Henan Province. Along with the existing Production Plant IV, the total capacity of the Group's coal water slurry new technology has reached 1.3 million tons, accounting for 50% of the Group's total production capacity of urea.

In 2016, the nitro compound fertiliser project with an annual capacity of 600,000 tons and the melamine project with an annual capacity of 60,000 tons will commence production. With the continuous implementation of product differentiation strategy and low cost strategy, the sales proportion of high-efficiency fertilisers will continue to grow and the profitability and competitiveness of the Group will be further improved.

(IV) Proposed Final Dividend

The Board recommended the payment of a final dividend of RMB8.30 cents per ordinary share for the year ended 31 December 2015 (the "**Proposed Final Dividend**") (2014: RMB6.00 cents per share), subject to the shareholders' approval at the forthcoming annual general meeting of the Company.

(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 1.4% in the year ended 31 December 2015 as compared with an increase of approximately 2.0% in 2014. 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 2015, approximately RMB890 million (2014: RMB429 million), or approximately 16.9% (2014: 10.7%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings reflected in the financial statements.

(vii) Gearing Risk

The Group monitors its capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014. The gearing ratio of the Group (calculated as net debt divided by the aggregate of total capital and net debt) increased from approximately 69.97% as at 31 December 2014 to approximately 71.20% as at 31 December 2015.

2. Contingent Liabilities

As at 31 December 2015, the Group had no material contingent liabilities (2014: Nil).

3. Material Litigation and Arbitration

As at 31 December 2015, 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 61, 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 over 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)", and in 2005, he was also awarded the "Henan Province Outstanding Private Enterprise Entrepreneur" by the People's Government of Henan Province. He was also the winner of "National Labour Day Medal" in 2009 issued by All China Federation of Trade Unions, and was awarded the "China Petroleum & Chemical Outstanding Private Enterprises Entrepreneurs Innovation Award" in May 2014. In 2015, he was awarded the "Henan Economic Celebrity of the year 2014" and "Model Worker of China". 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 45, 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 Provincial 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, "Advanced Worker in Accounting of Henan Province" in 2009, and "Labour Day Medal of Henan Province" in 2015. Ms. Yan is the controlling shareholder and a director of Go Power Investments Limited, a substantial Shareholder.

Mr. ZHANG Qingjin

Aged 49, 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 (currently known as "Zhengzhou University") 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 41, 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 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 SEHK) 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 48, 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: Weiye Holdings Limited, Alliance Mineral Assets Limited and Serrano Limited. He was an independent director of Asia Fashion Holdings Limited from July 2013 to March 2014 and China Haida Ltd. from October 2006 to April 2015, both companies are listed on the SGX-ST, and an independent non-executive director of China Animal Healthcare Ltd. (a company listed on the SEHK) 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 53, 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). Mr. Li graduated from Hangzhou University (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 49, 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. He was also an independent director of Consciencefood Holding Limited (delisted from the SGX-ST with effect from 5 February 2014). Mr. Ong obtained a Bachelor of Laws degree from the National University of Singapore in 1990, a Master of Business Administration degree from University of Hull in 1993, and a Master of Laws degree from the National University of Singapore in 1995.

Senior Management

Mr. RU Zhengtao

Aged 59, 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 (currently known as Zhengzhou University) 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 55, 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 (currently known as Zhengzhou University) 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 52, is the deputy general manager in charge of the sales and purchasing of Henan XLX Fertiliser since 31 July 2006. He has more than 20 years of experience in the chemical fertiliser industry. He held various positions in Xinxiang Fertiliser Factory, including the office head of nitrogen fertiliser plant of Xinxiang Fertiliser Factory from March 1993 and the deputy head and assistant to head of Xinxiang Fertiliser Factory. Mr. Wang was the deputy general manager of sales and marketing department of XLX Chem from August 2003 to July 2006. Mr. Wang obtained a certificate of completion in master's course of business administration from Tianjin Institute of Finance and Economics (currently known as Tianjin University of Finance and Economics) in June 2002.

Mr. ZHAO Lianzi

Aged 53, has been the deputy general manager in charge of marketing and strategy department of Henan XLX Fertiliser since February 2012. He has almost 20 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 Institute of Finance and Economics (currently known as 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

SOON Yuk Tai

Aged 49, 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 of the SEHK and the Growth Enterprise Market of the SEHK.

TEO Meng Keong

Aged 47, 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 18 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 2015, the Company continued to strengthen its efforts in maintaining investor relations, and analyst reports and roadshows became the main focus for work promotion, so as to truly 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 the Company's profitability and Shareholders' value and maximise their interests.

Upgraded Product Structure, Emerged Economies of Scale, Rising Share Price

In 2015, the Group still stuck to its strategy of "combination of total cost leadership and product differentiation". While keeping its basic strength in cost control, the Group enhanced 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, nitro compound fertiliser, and a variety of corn, wheat, rice, peanut, potato and other crops specialised fertilisers. With its further enriched product mix, the sales volume and profit weigh of its products with high technology elements improved, as well as Plant V, the Group's second production base located in the coal-producing area in Xinjiang, successfully commenced operation, the economies of scale began to emerge, prompting the Company's share price to rise.

Multiple-channel, Comprehensive Investor Relations Activities

During 2015, the Company continued to conduct comprehensive communication with investors through a number of channels, communicating its development philosophy and strategies, growth progress and latest updates and results on operation and management, and sharing its understanding and expectation on the industry and the market through various communication channels including results announcement conference, press conference, large roadshow activities, one-on-one investor meetings, investor forums, site visits by investors. Further, the Company also developed various user-friendly promotion and communication platforms such as website, WeChat public platforms and other formats, with their contents covering industry policies, information on listed companies in the industry, corporate news and announcements. During 2015, in order to further enhance the effect of the Company's website, the Company conducted a comprehensive revision upgrade on its official website.

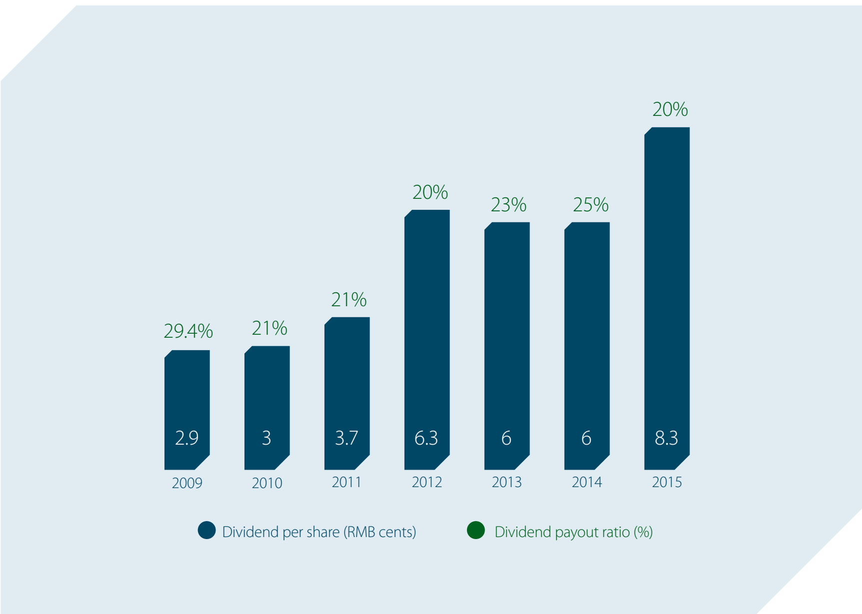
Meanwhile, according to the needs and styles of analysts and different investors, the Company flexibly and proactively arranged corporate senior management to participate in various investor relations activities. During 2015, the Company's senior management including the Chairman and the Chief Financial Officer participated in plenty of investor activities to fully communicate with the capital market, which realised multi-channelled communications. Besides holding press conferences after interim and annual results announcements, the Company also attended various investor forums organised by a number of investment banks and funds in 2015, and conducted one-on-one meetings and conference calls regularly, and made interactive communication with almost 500 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 2015, including one batch of important investors, analysts and stock commenters to visit the Group's second production base located at Xinjiang, 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 2015, the Company published more than 40 announcements. 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 dividend payout every year with reference to the Company's financial status, long-term development needs and potential investment opportunities. When we were listed on the SGX-ST in 2007, we promised to the 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 above 20%.



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 set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

During the year ended 31 December 2015, the Board has reviewed its corporate governance practices and considers 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 and 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 secretaries of the Company (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 2015 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. Zhang Qingjin	

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)*

Throughout the year ended 31 December 2015, 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 in the section headed "Board of Directors and Senior Management" of 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 single leadership 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 the management.

In addition, the Directors are of the view that the balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) on the Board and the existence of AC, RC and NC (comprising all or a majority of independent non-executive 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 processes of appointment and removal of Directors are laid down in the Constitution. In accordance with the Constitution: (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 Constitution provisions as mentioned above.

Pursuant to the aforesaid provisions in the Constitution, Mr. Liu Xingxu, Mr. Li Shengxiao and Mr. Ong Wei Jin, being the number nearest to but not less than one-third of the Directors who are subject to retirement by rotation, shall retire by rotation at the 2016 AGM. The above three retiring Directors, being eligible, will offer themselves for re-election at the 2016 AGM. The Board recommended the re-appointment of these retiring Directors standing for re-election at the 2016 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 2015, the Directors have participated training as follows:

– All Directors (being Mr. Liu Xingxu, Ms. Yan Yunhua, Mr. Zhang Qingjin, Mr. Li Buwen (before his resignation as an executive Director on 27 March 2015), 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. Zhang Qingjin, 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. Zhang Qingjin, Mr. Li Buwen (before his resignation as an executive Director on 27 March 2015), 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 meeting of the Company held during the year ended 31 December 2015 are set out below:

	Attendance of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
No. of meetings held / Name of Director	6	4	1	1	1
Executive Directors:					
Mr. Liu Xingxu	6	N/A	N/A	1	1
Ms. Yan Yunhua	6	N/A	N/A	N/A	1
Mr. Zhang Qingjin (Note 1)	3	N/A	N/A	N/A	1
Mr. Li Buwen (Note 2)	2	N/A	N/A	N/A	N/A
Non-executive Director:					
Mr. Lian Jie	4	N/A	N/A	N/A	0
Independent Non-executive Directors:					
Mr. Ong Kian Guan	6	4	1	1	1
Mr. Li Shengxiao	6	4	1	1	1
Mr. Ong Wei Jin	6	4	1	1	1

Notes:

1. Mr. Zhang Qingjin was appointed as an executive Director with effect from 27 March 2015. Subsequent to his appointment, there were four Board meetings held during the year ended 31 December 2015.

2. Mr. Li Buwen resigned as an executive Director with effect from 27 March 2015. Prior to his resignation, there were two Board meetings held during the year ended 31 December 2015.

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. The Board also takes into account the contributions by Board members in other forms including periodical reviews, and provision of guidance and advice on various matters relating to the Group.

A7. Model Code for Securities Transactions

The Company has adopted 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. The Company has made specific enquiry of all the Directors, and they confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

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 the 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, accounting and related 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 the 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 2015, the AC has held 4 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 2015:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2014, and 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 2015 AGM;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2015, and the related accounting principles and practices adopted by the Group;

– Review and discussion of the financial results for the first quarter ended 31 March 2015 and the third quarter ended 30 September 2015, 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 2015;

– Review and discussion of the risk management and internal control systems; and

– Review of the arrangement of whistle-blowing policy.

During the year ended 31 December 2015, the external auditor has met the AC twice and discussed with the AC on issues arising from the audit and financial reporting matters.

The AC, having reviewed all non-audit services provided by the external auditor of the Company, was satisfied that the nature and extent of such services would not affect the independence and objectivity of the external auditor. The AC recommended that Ernst & Young LLP be nominated for re-appointment as the Company's external auditor at the 2016 AGM. There is no disagreement between the Board and the 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 in comparable companies within the industry. The RC will also review the remuneration packages of the independent non-executive Directors and the non-executive Director to ensure that they are commensurate with the contributions and responsibilities of the Directors. Each of the executive Directors entered into a service contract with the Company, which covers each of their terms of employment. The Company will submit the quantum of Directors' fees of each year to the Shareholders for approval at each AGM.

During the year ended 31 December 2015, 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 the Directors (including reviewing and marking recommendations to the Board in respect of the remuneration package and service contract for Mr. Zhang Qingjin, who was appointed as an executive Director on 27 March 2015), key executive staff and the immediate family members of the Directors by reference to the Group's performance and profitability as well as the remuneration level of certain listed corporations within the industry.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

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

Details of the remuneration of each Director for the year ended 31 December 2015 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 2015, 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 code provision 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 2015, 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; (iii) considered and made recommendation to the Board on the appointment of Mr. Zhang Qingjin as an executive Director; and (iv) recommended the re-election of the retiring Directors at the 2015 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 2015.

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. Risk Management and Internal Control

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

The AC will ensure that a review of the effectiveness of the Group's risk management and internal control systems, covering all material internal controls (including financial, operational, compliance and information technology controls), 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 Group's risk management and internal control systems and, with the concurrence of the AC, the risk management and internal control systems maintained by the Group's management throughout the year ended 31 December 2015 is adequate to address the financial, operational and compliance risks of the Group.

The Board has also received assurance from the Chief Executive Officer and Chief Financial Officer that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company/Group's operation and finances; and (ii) the Company/Group have put in place and will continue to maintain reliable, comprehensive and sound systems of risk management, internal control and corporate governance that will withstand the scrutiny of any audit and review by the external auditor.

E. Internal Audit

The primary functions of internal audit include assessing if adequate internal control system is in place to protect the funds and assets of the Group and to ensure compliance with the internal control procedures; assessing if operation of the business processes under review is conducted efficiently and effectively; and identifying and recommending improvements to the internal control procedures, where required.

The Board with the concurrence of the AC is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

F. 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. The biographical details of Mr. Teo and Ms. Soon are set out in the section headed "Board of Directors and Senior Management" of this annual report.

During the year ended 31 December 2015, both Mr. Teo and Ms. Soon have taken not less than 15 hours of relevant professional training.

G. 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 2015 is set out in the section headed "Independent Auditors' Report" of this annual report.

The fees paid/payable to Ernst & Young LLP, the Company's external auditor, in respect of audit services and non-audit services for the year ended 31 December 2015 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable (S$'000)**
Audit services	
– Audit fee for the year ended 31 December 2015	460
Non-audit services	
– Interim review on financial results for the six months ended 30 June 2015	14
– Tax consultation fee for the year ended 31 December 2015	3
TOTAL:	477

H. 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 requirements.

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:

i. Announcements, financial reports, circulars and news releases published on the website of the SEHK;

ii. Financial reports prepared and issued to all Shareholders;

iii. Press releases on major developments of the Group;

iv. Notices of and explanatory memoranda for AGM and EGM; and

v. the Company's website at www.chinaxlx.com.hk at which Shareholders can access information on the Group, 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 each of the Committees are normally available at general 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.

Besides, for putting forward any enquiries to the Board, Shareholders and investors may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries. Shareholders and investors may send their written 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)
Fax: (852) 2521 9955
Email: weiwei.zhu@chinaxlx.com.hk

Inquiries are dealt with in an informative and timely manner.

I. Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution shall be proposed at Shareholders' meetings on each substantially separate issue, including the election of individual Directors, for Shareholders' consideration and voting.

I1. Convening an Extraordinary General Meeting

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

Pursuant to the Companies Act:

(a) Shareholders holding 10% or more of the paid-up capital of the Company which carries the right to vote at general meetings as at the date of the deposit of the requisition, may 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 Secretaries;

(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; and

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

I2. 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 either (i) 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 Shareholders that are 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 Shareholders that are 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/her 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, the Shareholder must provide his/her 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 the Shareholder may be disclosed as required by law.

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

All resolutions put forward at Shareholders' meetings shall 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.

Directors' Statement

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of the Group for year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 44 to the financial statements.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development, and the description of possible risks and uncertainties that the Group may be facing are set out in A Letter to Investors, the Chairman's Statement and the Management Discussion and Analysis of this annual report. The financial risk management objectives and policies of the Group are set out in note 41 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Financial Highlights of this annual report. In addition, discussions on the Group's environmental policies and relationships with its key stakeholders which have a significant impact on the Group are also included in A Letter to Investors, Corporate Social Responsibility, Management Discussion and Analysis, Investor Relations, and the Corporate Governance Report of this annual report.

Results and Dividends

The Group's profit for the year ended 31 December 2015 and the Group's financial position at that date are set out in the financial statements on pages 67 to 134 of this annual report.

No interim dividend was paid during the year. The Directors recommend the payment of a final dividend of RMB8.3 cents (2014: RMB6 cents) per share in respect of the year to the Shareholders whose names appear on the register of members on 24 May 2016.

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 135 of this annual report.

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 32 and 30 to the financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Constitution 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.

Distributable Reserves

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act, amounted to RMB86,828,000 of which RMB83,000,000 has been proposed as a final dividend for the year.

Charitable Contributions

During the year, the Group made charitable contributions totalling RMB427,000 (2014: RMB241,000).

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 20% (2014: less than 20%) of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 53% (2014: 40%) of the total purchases for the year and purchases from the largest supplier included therein amounted to 17% (2014: 13%).

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.

Compliance with the Relevant Laws and Regulations

As far as the Board is aware, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out on pages 33 to 36 of this annual report.

Directors

The Directors during the year are:

Executive Directors:

Liu Xingxu	
Yan Yunhua	
Zhang Qingjing	(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

In accordance with Articles 89 and 90 of the Constitution, Mr. Liu Xingxu, Mr. Li Shengxiao and Mr. Ong Wei Jin will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

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 there subsisted any arrangement to which the Company, or any of its subsidiaries was a party and the objects of or one of the objects of such arrangement are/is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Service Contracts

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

Directors' Remuneration

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

Highest Paid Individuals

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

Permitted Indemnity Provision

As set out in Article 147 of the Constitution, a permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the year.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 31 December 2015, the interests of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company, as recorded in the register required to be kept by the Company pursuant to the Companies Act and Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions

	Number of ordinary shares interested			
Name of Directors	Personal interests	Corporate interests	Total interests	Approximate percentage# of the Company's issued share capital
Mr. Liu Xingxu	600,000	359,363,999 (Note (a))	359,963,999	36.00%
Ms. Yan Yunhua	300,000	277,734,000 (Note (b))	278,034,000	27.80%
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 2015.

Notes:

(a) These shares were held by Pioneer Top Holdings Limited ("Pioneer Top"), 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 7 beneficiaries (including 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 2015, none of the Directors, chief executives of the Company nor their associates had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to 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.

Share Options

The Group has no share option scheme.

Equity-linked Agreements

On 27 November 2011, the Company entered into the Subscription Agreement with Nitro Capital Limited (“**Nitro**”), pursuant to which Nitro agreed to subscribe and pay for the convertible bonds of an aggregate principal amount of approximately RMB324 million (the “**Bonds**”) to be issued by the Company. The Directors were of the view that the issue of the Bonds can provide additional funds for expansion of the Company’s plant IV and Xinjiang project, and general working capital purposes. The Directors also considered that Nitro can help bring in more insights from the investors’ perspective and leverage the extensive resources to explore more expansion opportunities for the Company. As all the conditions for completion of the subscription and issue of the Bonds under the Subscription Agreement (the “**Bonds Issue**”) were satisfied, the completion of the Bonds Issue took place on 21 December 2011 and the net proceeds received by the Company were approximately RMB322 million. The bondholders shall be entitled to convert their Bonds into ordinary shares of the Company to be allotted and issued by the Company, at any time on or after the date of issue of the Bonds(the “**Issue Date**”) and up to the close of business on the fifth business days before the fifth anniversary of the Issue Date (both days inclusive), unless previously redeemed or purchased and cancelled as provided in the terms and conditions of the Bonds. Assuming full conversion of the Bonds at the initial conversion price of approximately RMB1.84 per share, the Bonds will be convertible into 176,000,000 ordinary shares of the Company. Further details of the Bonds Issue are included in note 30 to the financial statements.

Save as disclosed above, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at 31 December 2015, 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	359,363,999	–	359,363,999	35.94%*
Go Power (Note (b))	Beneficial owner	277,734,000	–	277,734,000	27.77%*
Nitro (Note (c))	Beneficial owner	–	176,000,000	176,000,000	14.97%**

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2015.

** The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 December 2015, 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 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 7 beneficiaries under a trust agreement, including approximately 7% for Mr. Zhang Qingjin, an executive Director (appointed on 27 March 2015); approximately 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao, 7% for Mr. Wang Nairen, the Company's senior management; approximately 7% for Mr. Zhu Xingye and 7% for Mr. Shang Dewei, the Company's employees; and approximately 16% for Mr. Li Buwen, a former executive Director (resigned as executive Director on 27 March 2015).

Mr. Liu Xingxu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company in accordance with the trust agreement. This interest held by Pioneer Top has also been disclosed as the interest of Mr. Liu Xingxu in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures".

(b) Go Power is an investment holding company established in the BVI. Ms. Yan Yunhua beneficially owned approximately 12.74% of the equity interest in Go Power and held approximately 87.26% of the equity interest in Go Power in trust for a total of 1,463 beneficiaries under a trust agreement. Ms. Yan Yunhua has the absolute discretion to exercise the voting rights held by Go Power in the Company in accordance with the trust agreement. This interest held by Go Power has also been disclosed as the interest of Ms. Yan Yunhua in the above section headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures".

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

Save as disclosed above, as at 31 December 2015, 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.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the section headed "Connected Transaction and Continuing Connected Transactions" below and in note 38(a) to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at the end of the year or at any time during the year under review.

Contracts of Significance

No contracts of significance were entered into between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the year.

Connected Transaction and Continuing Connected Transactions

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

As at 31 December 2015, Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Zhang Qingjin (being executive Directors) and Mr. Li Buwen (being a former Executive Director who resigned on 27 March 2015) collectively held an aggregate of approximately 11.8% interest in XLX Chem, and together, they are the largest shareholder of XLX Chem and 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.

Connected transaction

On 23 September 2015, Henan XLX, a wholly-owned subsidiary of the Company, entered into a land transfer agreement with XLX Chem to acquire the land use right of a parcel of industrial land adjacent to the Group's existing production base in Xinxiang Economic Development Zone, Xinxiang City of Henan Province, the PRC, at a consideration of approximately RMB105,322,000. The land is used for constructing a new production base of the Group for fine coal chemical production. Further details of the transaction are included in note 38(a) to the financial statements.

Non-exempt continuing connected transactions

(i) Utilities supply agreement

The Group entered into the Utilities Supply Agreement on 13 November 2014 with XLX Chem Group, pursuant to which the Group agreed to supply water, electricity and steam to XLX Chem Group. This arrangement helps the Group improve the utilisation of its utilities facilities, and receive additional income from XLX Chem Group. The agreement has a term commencing from 1 January 2015 up to and including 31 December 2016. The Group has set the annual cap for the income received by the Group from XLX Chem Group under the agreement at RMB6,000,000 for FY2015.

For the year ended 31 December 2015, the aggregate amount received by the Group from XLX Chem Group for the sales of water, electricity and steam amounted to approximately RMB2,200,490 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 13 November 2014 with XLX Chem Group, pursuant to which XLX Chem Group agreed to supply equipment, including pipes, containers and high-pressure containers, to the Group for production. Accordingly, the Group benefits of reliable and timely delivery of equipment and cost effectiveness. The agreement has a term commencing from 1 January 2015 up to and including 31 December 2016. 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 RMB33,000,000 for FY2015.

For the year ended 31 December 2015, the aggregate amount paid by the Group for the purchases of equipment from XLX Chem Group was approximately RMB15,781,581 which has been included in spare part inventories in the Group's consolidated statement of financial position and as other expenses in the Group's consolidated statement of profit or loss and other comprehensive income upon usage of such inventories.

(iii) Lifting services agreement

The Group entered into the Lifting Services Agreement on 13 November 2014 with XLX Chem Group, pursuant to which XLX Chem Group agreed to provide lifting services to the Group. This arrangement enables lifting machinery and equipment to reach the Group's production base promptly upon request. The agreement has a term commencing from 1 January 2015 up to and including 31 December 2016. The Group has set the annual cap for the service expenses paid by the Group to XLX Chem Group under the agreement at RMB10,000,000 for FY2015.

The service expenses paid by the Group to XLX Chem Group under this agreement amounted to approximately RMB8,054,734 for the year ended 31 December 2015 and have been accounted for as cost of sales in the Group's consolidated statement of profit or loss and other comprehensive income.

(iv) General accommodation and catering agreement

The Group entered into the General Accommodation and Catering Agreement on 13 November 2014 with an associate of XLX Chem, pursuant to which the associate of XLX Chem agreed to provide accommodation and catering services to the Group for general staff and guests located in Xiaoji Town, Xinjiang City of Henan Province, the PRC. The agreement was entered into with a view for the Group to take advantage of the strategic location of the accommodation and catering facilities of that associate of XLX Chem which is located at the Company's staff residential area and is nearby the Company's headquarters and factory site in Henan Province. This agreement has a term commencing from 1 January 2015 up to and including 31 December 2016. The Group has set the annual cap for the service expenses paid by the Group under the agreement at RMB9,000,000 for FY2015.

The service expenses paid by the Group under this agreement amounted to approximately RMB4,765,072 for the year ended 31 December 2015 and have been accounted for as general and administrative expenses in the Group's 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 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, which can provide general staff of Henan XLX with convenient residential facilities and reduce the time required for daily work commute. The General Lease Agreement has a term commencing from 19 August 2013 up to and including 18 August 2016. The Group has set the fixed monthly lease at RMB186,600 in respect of the General Lease Agreement (i.e. RMB2,239,200 as the annual cap for the year ended 31 December 2015).

The lease paid by the Group under this agreement amounted to approximately RMB2,239,200 for the year ended 31 December 2015 and have been accounted for as general and administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

(vi) Raw material purchase agreement

The Group entered into the Raw Material Purchase Agreement on 31 December 2014 with XLX Chem Group, pursuant to which XLX Chem Group agreed to supply raw material, namely furaldehyde, to the Group for production of furfuryl alcohol. Accordingly, the Company can procure the necessary raw material through a reliable and stable source and at a reasonable price. The agreement has a term commencing from 1 January 2015 up to and including 31 December 2015. The Group has set the annual cap for the amount paid by the Group to XLX Chem Group for purchases of raw material under the agreement at RMB20,000,000 for FY2015.

For the year ended 31 December 2015, the aggregate amount paid by the Group for the purchase of raw material from XLX Chem Group was approximately RMB6,036,106 which has been included in spare parts in the Group's consolidated statement of financial position.

(vii) New lifting lease agreement

The Group entered into the New Lifting Lease Agreement on 13 November 2014 with XLX Chem Group, pursuant to which Henan XLX agreed to lease machinery and equipment (on an as-needed basis) to be used by XLX Chem Group. The lease of lifting machinery and equipment increases the flexibility in the Group's production planning and operation. The agreement has a term commencing from 1 January 2015 up to and including 31 December 2016. The Group has set the annual cap for the amount received by the Group from XLX Chem Group for leasing of machinery and equipment under the agreement at RMB3,230,000 for FY2015.

For the year ended 31 December 2015, the aggregate amount received by the Group for the leasing of machinery and equipment to XLX Chem Group was RMB3,230,000 which has been included in other income in the Group's 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 and 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 28 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 39 to 52 of this annual report.

Subsidiaries

Details of the Company's subsidiaries are set out in note 44 to the financial statements.

Employees and Remuneration Policy

As at 31 December 2015, there were 6,665 (2014: 5,588) 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.

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 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 financial position of the Group as at the end of the reporting period of a particular year and on the financial performance of 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 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.

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

11 March 2016

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 financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2015 and the financial performance, 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	**YAN Yunhua**
Director	*Director*

11 March 2016

Independent Auditors' Report

To the members 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 67 to 134, which comprise the consolidated statement of financial position of the Group as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' 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"), International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determine 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 judgement, 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 are properly drawn up in accordance with the provisions of the Act, International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance so as to give a true and fair view of the financial position of the Group as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the year then ended.

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

11 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	6	**5,788,181**	5,081,748
Cost of sales		**(4,464,611)**	(4,182,984)
Gross profit		**1,323,570**	898,764
Other income and gains	6	**80,699**	56,272
Selling and distribution expenses		**(347,186)**	(197,946)
General and administrative expenses		**(317,496)**	(242,789)
Other expenses		**(33,181)**	(10,976)
Finance costs	8	**(228,190)**	(218,020)
Profit before tax	7	**478,216**	285,305
Income tax expense	11	**(69,945)**	(48,579)
Profit for the year		**408,271**	236,726
Other comprehensive loss			
Other comprehensive loss to be reclassified to profit or loss in subsequent period:			
Available-for-sale investments:			
Change in fair value	18	**(1,097)**	(2,525)
Other comprehensive loss for the year		**(1,097)**	(2,525)
Total comprehensive income for the year		**407,174**	234,201
Profit attributable to:			
Owners of the parent		**408,780**	240,796
Non-controlling interest		**(509)**	(4,070)
		408,271	236,726
Total comprehensive income attributable to:			
Owners of the parent		**407,683**	238,271
Non-controlling interest		**(509)**	(4,070)
		407,174	234,201
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB cents)	13	**34.76**	20.48

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	14	**8,013,765**	6,907,271
Prepaid land lease payments	15	**190,949**	195,385
Goodwill	16	**25,361**	6,950
Coal mining rights	17	**99,514**	39,594
Available-for-sale investment	18	**7,500**	13,298
Prepayments	19	**182,592**	278,022
Prepayments to a related company	22	**44,000**	–
Deferred tax assets	31	**19,714**	11,050
Total non-current assets		**8,583,395**	7,451,570
Current assets			
Available-for-sale investment	18	**3,680**	–
Prepayments	19	**241,184**	266,240
Deposits and other receivables	19	**492,256**	348,304
Inventories	20	**453,921**	340,638
Trade and bills receivables	21	**66,281**	36,360
Due from a related company	22	**2,430**	–
Income tax recoverable		**12,898**	20,255
Pledged time deposits	23	**397,884**	491,713
Cash and cash equivalents	23	**581,355**	633,389
Total current assets		**2,251,889**	2,136,899
Current liabilities			
Trade payables	24	**140,229**	95,574
Bills payable	25	**998,738**	906,765
Accruals and other payables	26	**1,193,612**	1,344,779
Due to related companies	22	**8,805**	1,704
Income tax payable		**4**	4
Deferred grants	27	**4,536**	4,985
Interest-bearing bank and other borrowings	28	**890,168**	429,410
Total current liabilities		**3,236,092**	2,783,221
NET CURRENT LIABILITIES		**(984,203)**	(646,322)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,599,192**	6,805,248

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Interest-bearing bank and other borrowings	28	**3,568,783**	3,595,109
Deferred grants	27	**49,450**	37,420
Deferred tax liabilities	31	**63,165**	48,902
Other payables	26	**116,777**	361
Long-term bonds payable	29	**800,000**	450,000
Total non-current liabilities		**4,598,175**	4,131,792
NET ASSETS		**3,001,017**	2,673,456
EQUITY			
Equity attributable to owners of the parent			
Share capital	32	**881,124**	881,124
Convertible bonds	30	**322,436**	322,436
Revaluation reserve		**–**	1,097
Statutory reserve fund	33	**275,880**	229,180
Retained profits		**1,521,577**	1,241,118
		3,001,017	2,674,955
Non-controlling interest		**–**	(1,499)
TOTAL EQUITY		**3,001,017**	2,673,456

Liu Xingxu
Director

Yan Yunhua
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2015

	Notes	Attributable to owners of the Company Issued capital (note 32) RMB'000	Convertible bonds (note 30) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund (note 33) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2014		881,124	322,436	3,622	199,295	1,104,803	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/(loss) for the year		–	–	(2,525)	–	240,796	238,271	(4,070)	234,201
Transfer to statutory reserve fund	33	–	–	–	29,885	(29,885)	–	–	–
Final 2013 dividend declared		–	–	–	–	(60,000)	(60,000)	–	(60,000)
Convertible bonds interest	30	–	14,596	–	–	(14,596)	–	–	–
Payment of convertible bonds interest		–	(14,596)	–	–	–	(14,596)	–	(14,596)
At 31 December 2014		881,124	322,436	1,097	229,180	1,241,118#	2,674,955	(1,499)	2,673,456

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 3 to the financial statements.

	Notes	Attributable to owners of the Company Issued capital (note 32) RMB'000	Convertible bonds (note 30) RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund (note 33) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2015		**881,124**	**322,436**	**1,097**	**229,180**	**1,241,118**	**2,674,955**	**(1,499)**	**2,673,456**
Profit for the year		**–**	**–**	**–**	**–**	**408,780**	**408,780**	**(509)**	**408,271**
Other comprehensive loss for the year: Change in fair value of an available-for-sale investment		**–**	**–**	**(1,097)**	**–**	**–**	**(1,097)**	**–**	**(1,097)**
Total comprehensive income/(loss) for the year		**–**	**–**	**(1,097)**	**–**	**408,780**	**407,683**	**(509)**	**407,174**
Acquisition of non-controlling interest in a subsidiary	44(b)	**–**	**–**	**–**	**(702)**	**(6,323)**	**(7,025)**	**2,008**	**(5,017)**
Transfer to statutory reserve fund	33	**–**	**–**	**–**	**47,402**	**(47,402)**	**–**	**–**	**–**
Final 2014 dividend declared		**–**	**–**	**–**	**–**	**(60,000)**	**(60,000)**	**–**	**(60,000)**
Convertible bonds interest	30	**–**	**14,596**	**–**	**–**	**(14,596)**	**–**	**–**	**–**
Payment of convertible bonds interest		**–**	**(14,596)**	**–**	**–**	**–**	**(14,596)**	**–**	**(14,596)**
At 31 December 2015		**881,124**	**322,436**	**–**	**275,880**	**1,521,577**	**3,001,017**	**–**	**3,001,017**

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**478,216**	285,305
Adjustments for:			
Amortisation of prepaid land lease payments	7	**4,436**	4,434
Amortisation of coal mining rights	7	**3,721**	1,638
Depreciation of items of property, plant and equipment	7	**385,063**	324,363
Loss on disposal of items of property, plant and equipment	7	**17,294**	3,311
Impairment loss of available-for-sale investment	7	**1,021**	–
Amortisation of deferred grants	6	**(4,605)**	(3,673)
Interest income	6	**(25,619)**	(14,657)
Finance costs	8	**228,190**	218,020
		1,087,717	818,741
Increase in inventories		**(113,113)**	(79,261)
Increase in trade and bills receivables		**(29,921)**	(22,891)
Decrease/(increase) in prepayments		**17,031**	(79,310)
Increase in deposits and other receivables		**(143,701)**	(149,309)
Movements in balances with related companies		**(39,329)**	1,223
Increase in trade and bills payables		**136,628**	654,025
Increase/(decrease) in accruals and other payables		**(75,053)**	79,149
Cash generated from operations		**840,259**	1,222,367
Government grants received	27	**16,186**	8,160
Interest paid	8	**(299,460)**	(242,730)
Interest received		**25,619**	14,657
Tax paid		**(72,277)**	(46,089)
Net cash flows from operating activities		**510,327**	956,365

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**2,434**	2,838
Purchases of items of property, plant and equipment		**(1,271,552)**	(1,629,610)
Acquisition of non-controlling interest in a subsidiary	44(b)	**(5,017)**	–
Acquisition of a subsidiary	34	**(94,442)**	–
Additions of land use right	15	**–**	(28,373)
Decrease/(increase) in pledged time deposits		**96,380**	(342,752)
Net cash flows used in investing activities		**(1,272,197)**	(1,997,897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid on ordinary shares	12	**(60,000)**	(60,000)
Payment of convertible bonds interest	30	**(14,596)**	(14,596)
Repayment of a short-term bond		**–**	(300,000)
Proceeds from issue of a long-term bond	29	**600,000**	200,000
Repayment of a long-term bond	29	**(250,000)**	–
Proceeds from loans and borrowings		**1,876,678**	2,205,369
Repayments of loans and borrowings		**(1,442,246)**	(1,153,665)
Net cash flows from financing activities		**709,836**	877,108
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(52,034)**	(164,424)
Cash and cash equivalents at beginning of year		**633,389**	797,813
Cash and cash equivalents at end of year		**581,355**	633,389
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	23	**581,355**	633,389

1. Corporate and Group Information

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore, 068898. The principal place of business of the Group is located at Xinxiang High Technology Development Zone (Xiaoji Town), Henan Province, the People's Republic of China (the "**PRC**"). The principal activity of the Company consists of investment holding. Particulars of all the Company's subsidiaries are disclosed in note 44.

2.1 Basis of Preparation

The Group had consolidated net current liabilities of approximately RMB984 million as at 31 December 2015. 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.

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

2.2 Changes In Accounting Policies and Disclosures

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements to IFRSs 2011-2013 Cycle	Amendments to a number of IFRSs

2.2 Changes In Accounting Policies and Disclosures (continued)

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are 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. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

2.2 Changes In Accounting Policies and Disclosures (continued)

(c) (continued)

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the Group has adopted the amendments to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") issued by the SEHK relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 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*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements *2012-2014 Cycle*	*Amendments to a number of IFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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
4 No mandatory effective date yet determined but is available for adoption

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 is currently assessing the impact of the standard upon adoption and expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

2.3 Standards Issued But Not Yet Effective (continued)

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 previous mandatory effective date of the amendments to IFRS 10 and IAS 28 (2011) was removed and a mandatory effective date will be determined subsequently.

The amendments to IFRS 10, IFRS 12 and IAS 28 (2011) introduce minor clarifications to the requirements for accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the standards. The Group expects to adopt the amendments from 1 January 2016.

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 to account for 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. In September 2015, an amendment was issued to IFRS 15 regarding a one-year deferral of the mandatory effective date of IFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 Standards Issued But Not Yet Effective (continued)

Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

3. Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. 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).

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.

3. Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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 and goodwill

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

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.

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)

Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that 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 these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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.

3. Summary of Significant Accounting Policies (continued)

Fair value measurement

The Group measures its derivative financial instruments and equity 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

Functional currency

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

3. Summary of Significant Accounting Policies (continued)

Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

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.

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;

or

3. Summary of Significant Accounting Policies (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

3. Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Coal mining rights

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

Prepaid land lease payments

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

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

3. Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets

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

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

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

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

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

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. 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.

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

De-recognition

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

Regular way purchase or sale of a financial asset

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

3. Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

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

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

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

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

(b) Financial assets carried at cost

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

3. Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

(c) Available-for-sale financial assets

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

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)

Bonds payable

Bonds payable are classified under loans and borrowings and recognised initially at fair value. After initial recognition, 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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including short-term deposits, and assets similar in nature to cash, which are not restricted as to use.

Inventories

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

(a) Raw materials and spare parts: purchase costs on a weighted average basis.

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

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

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

Provisions

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

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

3. Summary of Significant Accounting Policies (continued)

Government grants

Government grants are received from the local PRC government on a discretionary basis as determined by the government. They are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Borrowing costs

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

Employee benefits – pension benefits

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

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

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

Leases

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

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:

3. Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

(a) Sale of goods

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

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(c) Subsidy income

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

(d) 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.

(e) Compensation income

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

(f) Rental income

Rental income is recognised on a time proportion basis over the lease term.

Income taxes

Current tax

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

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

3. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

Deferred tax

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, 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.

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.

3. Summary of Significant Accounting Policies (continued)

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 was given to urea and compound fertiliser sales in prior years.

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.

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.

3. Summary of Significant Accounting Policies (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

4. Significant Accounting Estimates and Judgements

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

Judgements made in applying accounting policies

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

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 2015 were RMB12,898,000, RMB4,000, RMB19,714,000 and RMB63,165,000, respectively (2014: RMB20,255,000, RMB4,000, RMB11,050,000 and RMB48,902,000, 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 2015 was RMB25,361,000 (2014: RMB6,950,000). Further details are given in note 16.

4. Significant Accounting Estimates and Judgements (continued)

Key sources of estimation uncertainty (continued)

Useful lives of plant and machinery

The cost of plant and machinery for the production of fertilisers is depreciated on the straight-line basis over the estimated useful 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 2015 was RMB4,947,091,000 (2014: RMB3,259,481,000).

Impairment of coal mining rights

The carrying values of coal mining rights are reviewed for impairment when events or changes in circumstances indicate that the carrying values 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 amounts of the coal mining rights, or, where appropriate, the cash-generating units to which they belong, are 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 2015, no impairment loss has been recognised for the coal mining rights. The carrying amounts of the coal mining rights at 31 December 2015 was RMB99,514,000 (2014: RMB39,594,000).

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 mines. The carrying amounts of the coal mining rights at 31 December 2015 was RMB99,514,000 (2014: RMB39,594,000).

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 2015, impairment losses of RMB1,097,000 (2014: RMB2,525,000) and RMB1,021,000 (2014: Nil) have been recognised in other comprehensive income and in profit or loss for this available-for-sale investment, respectively. The carrying amount of this available-for-sale investment was RMB3,680,000 (2014: RMB5,798,000). Further details are given in note 18.

5. Operating Segment Information

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

– Manufacturing and sale of urea

– Manufacturing and sale of compound fertiliser

– Manufacturing and sale of methanol

– Manufacturing and sale of other products such as furfuryl alcohol, crude methanol, liquid ammonia and ammonia solution

In the opinion of the directors, there were only limited operations in the subsidiary that are 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 form the above reportable operating segments.

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

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

Allocation basis

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

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. Assets of the Group are utilised interchangeably between different segments and there is no reasonable basis to allocate liabilities of the Group between different segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by operating segments.

Geographical information

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

5. Operating Segment Information (continued)

Information about a major customer

During the years ended 31 December 2015 and 2014, sales to the Group's major customer amounted to RMB169,228,000 (or 2.9% of the total sales) and RMB274,301,000 (or 5.4% of the total sales), respectively.

Segment profit information

The directors of the Company are of the opinion that the segment profit is the operating profit.

For the year ended 31 December 2015	Urea RMB'000	Compound fertiliser RMB'000	Methanol RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
Revenue						
Sales to external customers	3,235,610	1,765,700	547,935	238,936	–	5,788,181
Intersegment sales	401,771	9,745	1,788	9,434	(422,738)	–
Total revenue	3,637,381	1,775,445	549,723	248,370	(422,738)	5,788,181
Segment profit	886,805	351,140	68,092	17,533	–	1,323,570
Interest income						25,619
Unallocated other income and gains						55,080
Unallocated expenses						(697,863)
Finance costs						(228,190)
Profit before tax						478,216
Income tax expense						(69,945)
Profit for the year						408,271
Other segment information:						
Loss on disposal of items of property, plant and equipment						17,294
Depreciation of items of property, plant and equipment						385,063
Amortisation of prepaid land lease payments						4,436
Amortisation of coal mining rights						3,721
Capital expenditure*						1,622,414

5. Operating Segment Information (continued)

For the 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 rights						1,638
Capital expenditure*						2,502,380

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

6. Revenue, Other Income and Gains

Revenue 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:

	2015 RMB'000	2014 RMB'000
REVENUE		
Sales of goods	**5,788,181**	5,081,748

6. Revenue, Other Income and Gains (continued)

	2015 RMB'000	2014 RMB'000
OTHER INCOME AND GAINS		
Bank interest income	**25,619**	14,657
Net profit from sale of by-products	**19,968**	25,770
Amortisation of deferred grants (note 27)	**4,605**	3,673
Subsidy income	**18,565**	5,055
Compensation income	**9,774**	6,801
Rental income	**1,932**	–
Others	**236**	316
Total other income and gains	**80,699**	56,272

7. Profit Before Tax

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

	Notes	2015 RMB'000	2014 RMB'000
Cost of inventories sold#		**4,464,611**	4,182,984
Depreciation of items of property, plant and equipment	14	**385,063**	324,363
Amortisation of prepaid land lease payments	15	**4,436**	4,434
Amortisation of coal mining rights	17	**3,721**	1,638
Minimum lease payments under operating leases:			
Land		**1,792**	1,422
Buildings		**2,239**	2,239
Factories		**3,450**	–
		7,481	3,661
Auditors' remuneration		**2,522**	1,466
Employee benefit expenses (including directors' remuneration (note 9)):			
Salaries and bonuses		**341,614**	306,837
Contributions to defined contribution plans		**23,677**	16,111
Welfare expenses		**25,889**	17,486
		391,180	340,434
Impairment of an available-for-sale investment *	18	**1,021**	–
Unrealised exchange losses, net *		**12,484**	5,825
Realised exchange losses, net *		**1,137**	–
Loss on disposal of items of property, plant and equipment *		**17,294**	3,311

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

Included wages and salaries of RMB52,719,000 (2014: RMB48,953,000) disclosed under employee benefit expenses and depreciation charges of RMB316,834,000 (2014: RMB296,687,000) disclosed under depreciation of items of property, plant and equipment.

8. Finance Costs

The Group's finance costs are analysed as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank loans, overdrafts, other loans and bonds (including government loans)	**299,460**	242,730
Less: Interest capitalised (note 35)	**(71,270)**	(24,710)
	228,190	218,020

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rule, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**800**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**10,273**	5,384
Pension scheme contributions	**111**	62
	10,384	5,446
	11,184	6,246

* Certain executive directors of the Company are entitled to bonus which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

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

	2015 RMB'000	2014 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 2015 (2014: Nil).

9. Directors' Remuneration (continued)

(b) Executive directors and a non-executive director

Year ended 31 December 2015	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	–	**863**	**3,218**	**37**	**4,118**
Yan Yunhua	–	**683**	**2,413**	**37**	**3,133**
Zhang Qingjin (appointed on 27 March 2015)	–	**683**	**2,413**	**37**	**3,133**
Li Buwen (resigned on 27 March 2015)	–	–	–	–	–
	–	**2,229**	**8,044**	**111**	**10,384**
Non-executive director:					
Lian Jie	–	–	–	–	–
	–	**2,229**	**8,044**	**111**	**10,384**
Year ended 31 December 2014					
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

* 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 2015 (2014: 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 (2014: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2014: two) non-director, highest paid employees for the year are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**468**	638
Performance-related bonuses	**1,200**	1,180
Pension scheme contributions	**74**	63
	1,742	1,881

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

	2015	2014
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 an income tax rate of 17% (2014: 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 rate of 25% (2014: 25%). In the prior year, one of the subsidiaries in Mainland China was awarded the New/High Tech Enterprise Award as recognition of its innovation and use of state-of-the-art equipment. This award brought this subsidiary a tax concession of a lower income tax rate (i.e., 15%) for the years ended 31 December 2014 and 31 December 2015, and the year ending 31 December 2016.

11. Income Tax (continued)

The major components of income tax expense for the financial years ended 31 December 2015 and 31 December 2014 are:

	2015 RMB'000	2014 RMB'000
Current – PRC		
Charge for the year	**85,671**	53,665
Overprovision in respect of prior years	**(6,037)**	(1,385)
Deferred (note 31)	**(9,689)**	(3,701)
Total tax charge for the year	**69,945**	48,579

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:

	2015 RMB'000	2014 RMB'000
Profit before tax	**478,216**	285,305
Tax at statutory tax rates	**121,800**	72,216
Adjustments in respect of current tax of previous periods	**(6,037)**	(1,385)
Effect of a tax concession	**(58,114)**	(34,518)
Expenses not deductible for tax	**1,582**	7,760
Deferred tax not recognised	**10,725**	4,434
Others	**(11)**	72
Tax charge at the effective rate of 14.6% (2014: 17.0%)	**69,945**	48,579

12. Dividend

	2015 RMB'000	2014 RMB'000
Proposed final dividend – RMB8.30 cents (2014: RMB6.00 cents) per ordinary share	**83,000**	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.

13. 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 (2014: 1,176,000,000) in issue, 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:

	2015 **RMB'000**	2014 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**408,780**	240,796

	2015 **Number of shares**	2014 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

14. Property, Plant and Equipment

31 December 2015

	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 2014 and 1 January 2015	646,163	877,176	4,326,534	180,991	49,239	2,168,891	8,248,994
Additions	2,874	10,553	61,360	35,755	31,302	1,296,122	1,437,966
Acquisition of a subsidiary (note 34)	3,903	62,972	6,401	6	37	–	73,319
Transfers	371,772	224,281	1,922,641	47,934	–	(2,566,628)	–
Disposals	(4)	(568)	(32,060)	(863)	(1,569)	–	(35,064)
At 31 December 2015	1,024,708	1,174,414	6,284,876	263,823	79,009	898,385	9,725,215
Accumulated depreciation:							
At 1 January 2015	76,351	98,874	1,067,053	78,248	21,197	–	1,341,723
Depreciation charged for the year	30,222	34,403	283,869	27,370	9,199	–	385,063
Disposals	(4)	(165)	(13,137)	(787)	(1,243)	–	(15,336)
At 31 December 2015	106,569	133,112	1,337,785	104,831	29,153	–	1,711,450
Net carrying amount:							
At 31 December 2015	918,139	1,041,302	4,947,091	158,992	49,856	898,385	8,013,765

As at 31 December 2015, the Group has pledged plant and machinery having a net carrying value of RMB245,546,000 (2014: Nil) to secure a bank borrowing granted to the Group (note 28).

14. Property, Plant and Equipment (continued)

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 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 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. Prepaid Land Lease Payments

	Notes	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January		**199,228**	175,289
Additions		**–**	28,373
Amortisation during the year	7	**(4,436)**	(4,434)
Carrying amount at 31 December		**194,792**	199,228
Current portion included in prepayments	19	**(3,843)**	(3,843)
Non-current portion		**190,949**	195,385

16. Goodwill

	RMB'000
Cost and net carrying amount at 1 January 2014, 31 December 2104 and 1 January 2015	6,950
Acquisition of a subsidiary (note 34)	18,411
At 31 December 2015	25,361
Cost:	
At 1 January 2014, 31 December 2014 and 1 January 2015	6,950
Acquisition of a subsidiary (Note 34)	18,411
At 31 December 2015	25,361
Accumulated impairment:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	–
Net carrying amount:	
At 31 December 2015	25,361
At 31 December 2014	6,950

Impairment testing of goodwill

Goodwill acquired through business combinations amounting to RMB25,361,000 (2014: RMB6,950,000) have been allocated to the coal mining cash-generating unit for impairment testing.

The recoverable amount of the coal mining cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering a 20-year period. The cash flow projections are discounted using the discount rate of 9.36% (2014: 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.

17. Coal Mining Rights

	RMB'000
31 December 2015	
Cost at 1 January 2015, net of accumulated amortisation	39,594
Acquisition of a subsidiary (note 34)	63,641
Amortisation provided during the year (note 7)	(3,721)
At 31 December 2015	99,514
At 31 December 2015:	
Cost	109,570
Accumulated amortisation	(10,056)
Net carrying amount	99,514

	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

18. Available-for-sale Investment

	2015 RMB'000	2014 RMB'000
NON-CURRENT		
Unquoted equity investment, at cost:		
PRC	**7,500**	7,500
Listed equity investment, at fair value:		
Singapore	**–**	5,798
	7,500	13,298
CURRENT		
Listed equity investment, at fair value:		
Singapore	**3,680**	–

18. Available-for-sale Investment (continued)

There was a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired.

During the year, the gross loss in respect of the available-for-sale investment recognised in profit or loss and other comprehensive income amounted to RMB1,021,000 (2014: nil) and RMB1,097,000 (gross loss in 2014: RMB2,525,000), respectively. As at 31 December 2015, the listed equity investment of RMB3,680,000 was classified as a current asset because the directors of the Company had intention to dispose of the investment in the forthcoming year. The market value of the current listed equity investment at the date of approval of these financial statements was approximately RMB3,680,000.

In 2013, 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 has been in its startup phase. As at 31 December 2015, the investment in Biyuan was stated at cost less impairment of RMB7,500,000 (2014: 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.

19. Prepayments, Deposits and Other Receivables

	Note	2015 RMB'000	2014 RMB'000
NON-CURRENT			
Prepayments for purchases of items of property, plant and equipment		**174,567**	278,022
Prepayment for acquisition of an available-for-sale investment		**8,025**	–
		182,592	–
CURRENT			
Prepayments			
Advanced deposits to suppliers		**230,946**	244,823
Current portion of prepaid land lease payments	15	**3,843**	3,843
Others		**6,395**	17,574
		241,184	266,240
Deposits and other receivables			
Deposits		**300**	300
VAT recoverable		**416,025**	305,060
Others		**75,931**	42,944
		492,256	348,304
Total prepayments, deposits and other receivables		**733,440**	614,544

20. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**196,063**	170,567
Parts and spares	**61,492**	36,986
Work-in-progress	**6,028**	7,212
Finished goods	**190,338**	125,873
	453,921	340,638

21. Trade and Bills Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**65,381**	31,790
Bills receivable	**900**	4,570
	66,281	36,360

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.

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**20,326**	3,267
1 to 3 months	**32,163**	3,479
3 to 6 months	**9,513**	8,700
6 to 12 months	**1,494**	15,921
Over 12 months	**1,885**	423
	65,381	31,790

21. Trade and Bills Receivables (continued)

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**52,489**	6,746
Less than 3 months past due	**9,513**	8,700
More than 3 months past due	**3,379**	16,344
	65,381	31,790

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 2015, the Group endorsed bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with aggregate carrying amount of RMB133,092,000 (2014: RMB388,695,000) with maturity ranging 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 2015 and 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.

22. Balances with Related Companies

Particulars of the balances with related companies, in which certain shareholders, executive directors of the Company are also direct/indirect shareholders and directors, disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance, are as follows:

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
Due from related companies			
Henan Xinlianxin Chemicals Group Co., Ltd.	(i)	**44,000**	–
Xinxiang Xinlianxin Lifting Co., Ltd.	(ii)	**2,430**	–
		46,430	–
Due to related companies			
Xinjiang Antai Shenzhou Fengtou Co., Ltd.	(iii)	**(2,355)**	(1,704)
Henan Xinlianxin Chemicals Group Co., Ltd.	(iv)	**(6,105)**	–
Manas Biyuan Water Supplies Co., Ltd. ("Biyuan")	(v)	**(345)**	–
		(8,805)	(1,704)

Notes:

(i) Represents prepayment for the consideration for the transfer of the land use right from Henan Xinlianxin Chemicals Group Co., Ltd. under the land transfer agreement. Further details are set out in note 38(a)(ix).

(ii) Represents prepayments for lifting services from Xinxiang Xinlianxin Lifting Co., Ltd. under the lifting services agreement. Further details are set out in note 38(a)(iv).

(iii) Represents payable for equipment purchases from Xinjiang Antai Shenzhou Fengtou Co., Ltd. under the equipment purchase agreement. Further details are set out in note 38(a)(iii).

(iv) Represents payable for equipment purchases from Henan Xinlianxin Chemicals Group Co., Ltd. under the equipment purchase agreement. Further details are set out in note 38(a)(iii).

(v) Represents payable for water supply from Biyuan under the water supply agreement.

The balances are unsecured, repayable on demand and interest-free and the carrying amounts of these balances approximate to their fair values.

23. Cash and Cash Equivalents and Pledged Time Deposits

	2015 RMB'000	2014 RMB'000
Time deposits	**397,884**	491,713
Less: Pledged time deposits for bills payable (note 25)	**(397,884)**	(491,713)
	–	–
Cash at banks and on hand	**581,355**	633,389
Cash and cash equivalents	**581,355**	633,389

23. Cash and Cash Equivalents and Pledged Time Deposits (continued)

At 31 December 2015, the cash and bank balances of the Group denominated in RMB amounted to RMB572,441,000 (2014: RMB629,262,000). 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.

24. Trade Payables

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**108,352**	67,929
1 to 3 months	**19,433**	12,772
3 to 6 months	**2,551**	3,811
6 to 12 months	**3,852**	6,008
Over 12 months	**6,041**	5,054
	140,229	95,574

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

25. Bills Payable

The Group's bills payable have an average maturity period of 90 to 180 days and are interest-free. Bills payable are denominated in RMB and are secured by time deposits of RMB397,884,000 (2014: RMB491,713,000) (note 23).

26. Accruals and Other Payables

	2015 RMB'000	2014 RMB'000
Current:		
Accruals		
Accrued expenses	**123,721**	78,257
Accruals for construction costs and purchases of items of property, plant and equipment	**575,665**	700,388
	699,386	778,645
Other payables		
Advanced purchase deposits from customers	**381,419**	489,603
VAT and other operating tax payables	**10,826**	8,643
Tender deposits	**26,918**	27,667
Others	**75,063**	40,221
	494,226	566,134
	1,193,612	1,344,779
Non-current:		
Other payables		
Accruals for construction costs and purchases of items of property, plant and equipment	**116,412**	–
Others	**365**	361
	116,777	361

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

27. Deferred Grants

	2015 RMB'000	2014 RMB'000
Cost:		
At beginning of the year	**50,829**	42,669
Received during the year	**16,186**	8,160
At end of year	**67,015**	50,829
Accumulated amortisation:		
At beginning of the year	**8,424**	4,751
Amortisation during the year (note 6)	**4,605**	3,673
At end of year	**13,029**	8,424
Net carrying amount:		
Current	**4,536**	4,985
Non-current	**49,450**	37,420
	53,986	42,405

As at 31 December 2015 and 31 December 2014, 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, aggregate government grants of RMB16,186,000 (2014: RMB8,160,000) were received by the Group.

28. Interest-Bearing Bank and Other Borrowings

	2015			2014		
	Contractual interest rate	Maturity	RMB'000	Contractual interest rate	Maturity	RMB'000
CURRENT						
Bank loans						
– secured	**3.15% to 4.52%**	**2016**	**287,873**	3.15%	2015	210,056
– unsecured	**2.84% to 7.21%**	**2016**	**602,295**	2.84% to 6.15%	2015	219,354
			890,168			429,410
NON-CURRENT						
Bank loans						
– secured	**4.52%**	**2018**	**178,000**	–	–	–
– unsecured	**4.13% to 6.90%**	**2017 to 2021**	**3,386,238**	2.25% to 7.32%	2016 to 2021	3,589,654
Loan from the government						
– unsecured	**Floating rate at 0.3% above the market prime lending rate**	**2020**	**4,545**	Floating rate at 0.3% above the market prime lending rate	2020	5,455
			3,568,783			3,595,109
			4,458,951			4,024,519

	2015 RMB'000	2014 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**890,168**	429,410
In the second year	**2,189,250**	1,607,904
In the third to fifth years, inclusive	**367,759**	1,051,750
Beyond five years	**1,007,229**	930,000
	4,454,406	4,019,064
Other borrowings repayable:		
In the third to fifth years, inclusive	**4,545**	–
Beyond five years	**–**	5,455
	4,458,951	4,024,519

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

Notes:

(a) The Group's bank facilities amounting to RMB8,468,545,000 (2014: RMB6,669,351,000), of which RMB4,454,406,000 (2014: RMB4,019,064,000) had been utilised as at the end of the reporting period, are unsecured.

(b) Included in secured bank loans is RMB285,873,000 which is secured by a Standby Documentary Credit for RMB300,000,000 from a bank and RMB180,000,000 which is secured by the Group's property, plant and equipment (note 14).

(c) Except for an unsecured bank loan amounting to RMB103,898,000 (2014: RMB157,258,000) which are denominated in United States dollars ("USD"), all borrowings are in RMB.

29. Long-term Bonds Payable

	2015 **RMB'000**	2014 RMB'000
Analysed into:		
Long term repayable:		
Within one year	**–**	250,000
In the second year	**200,000**	–
In the third year	**600,000**	200,000
	800,000	450,000

The RMB bonds totalling RMB200,000,000 and RMB600,000,000 have a maturity term of two years and three years, respectively, and bear a fixed interest rate of 7% per annum and 6.7% per annum, respectively, with interest payable semi-annually in arrears and annually in arrears, respectively.

30. 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. Convertible bonds interest 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 is accrued and paid through the transfer from retained profits of the Group. 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.

30. Convertible Bonds (continued)

The convertible bonds are redeemable at the option of the holder of the 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 (2014: RMB14,596,000) was accrued and paid to the bondholder.

31. Deferred Tax

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries (note a) RMB'000	Withholding tax (note b) RMB'000	Total RMB'000
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 and at 1 January 2015	8,680	40,222	48,902
Acquisition of a subsidiary (note 34)	15,288	–	15,288
Deferred tax credited to profit or loss during the year (note 11)	(1,025)	–	(1,025)
At 31 December 2015	22,943	40,222	63,165

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 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 and at 1 January 2015	4,510	6,540	11,050
Deferred tax credited to profit or loss during the year (note 11)	4,083	4,581	8,664
At 31 December 2015	8,593	11,121	19,714

31. Deferred Tax (continued)

Notes:

(a) Deferred tax liabilities arising from fair value adjustments upon acquisitions of subsidiaries represent the deferred tax liabilities on the fair value uplift of the net tangible assets owned by the subsidiaries, arising in 2011 and the current year. Details of the acquisition in the current year are set out in note 34 to the financial statements. The deferred tax liabilities are amortised to the profit or loss over the estimated useful life of the coal mining rights as set out in note 17.

(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 for 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 of RMB27,988,000 (2014: Nil) arising in Singapore that can be used to offset against future taxable profits of the companies in which the losses arose. The Group had estimated tax losses arising in the PRC of approximately RMB85,583,000 (2014: RMB45,386,000) that will expire in four to five years. Deferred tax assets have not been recognised in respect of the tax losses arising in Singapore and tax losses arising in the PRC amounting to RMB107,187,000 (2014: RMB27,346,000) as in the opinion of the directors, it is uncertain whether sufficient future taxable profits will be available against which the tax losses can be utilised.

32. Share Capital

	Number of ordinary shares		Amount	
	2015	2014	**2015 RMB'000**	2014 RMB'000
Issued and fully paid	**1,000,000,000**	1,000,000,000	**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.

33. Reserves

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2015 and 31 December 2014 are presented in the consolidated statement 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.

34. Business Combination

On 26 March 2015, the Group acquired a 100% equity interest in 瑪納斯天欣煤業有限責任公司 ("Tianxin") from an independent third party. Tianxin is engaged in coal mining and sale of coal. The acquisition was made as part of the Group's strategy to secure a stable supply of coal for its production process and reduce the effects of any volatility in coal prices against the production costs of the Group. The acquisition consideration was in the form of cash, with RMB37,210,000 paid on the acquisition date and the remaining RMB57,232,000 paid on 30 September 2015.

The fair values of the identified assets and liabilities of Tianxin as at the date of acquisition were as follow:

	Notes	Fair vaue recognised on acquisition RMB'000
Property, plant and equipment	14	73,319
Coal mining right	17	63,641
Inventories		170
Other receivables		251
Pledged deposit		2,551
Other payables		(48,613)
Deferred tax liabilities	31	(15,288)
Total identifiable net assets at fair value		76,031
Goodwill on acquisition	16	18,411
Satisfied by cash		94,442
Net outflow of cash and cash equivalents included in cash flows from investing activities		(94,442)

The above cash consideration in respect of the acquisition of a subsidiary of RMB94,442,000 represented net outflow of cash and cash equivalents of the same amount included in cash flows used in investing activities in the consolidated statement of cash flows.

Since the acquisition, Tianxin contributed a loss of RMB3,123,000 to the Group's consolidated profit for the year ended 31 December 2015. Had the acquisition taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB5,788,181,000 and RMB405,487,000, respectively.

35. Note to the Consolidated Statement of Cash Flows

Major non-cash transaction – interest capitalisation

During the year, the Group capitalised interest expense of RMB71,270,000 (2014: RMB24,710,000) to property, plant and equipment (note 8).

36. 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:

	2015 RMB'000	2014 RMB'000
Within one year	**79,405**	74,645
In the second to fifth years, inclusive	**155,359**	151,296
After five years	**40,054**	29,808
	274,818	255,749

37. Commitments and contingent liabilities

In addition to the operating lease commitments detailed in note 36 above, the Group had the following capital and other commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000
Capital commitments		
Contracted, but not provided for:		
Buildings	**238,119**	260,479
Plant and machinery	**48,677**	884,625
Coal mines	**27,134**	247,607
Land use right	**61,320**	–
	813,306	1,392,711
Other commitments		
Purchases of raw materials	**565,618**	203,800

There were no contingent liabilities as at the end of the reporting period (2014: Nil).

38. 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	2015 RMB'000	2014 RMB'000
Sales of electricity, water and steam to: *	(i)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		**917**	1,590
– Xinxiang Xinlianxin Lifting Co., Ltd. #		**19**	14
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		**197**	173
– Xinxiang Yuyuan Chemical Co., Ltd. #		**710**	698
– Xinxiang Xinlianxin Hotel Co., Ltd. #		**357**	270
Service fee income for provision of calibration and testing services to:	(ii)		
– Henan Shenzhou Heavy Sealing Co., Ltd. #		**14**	13
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		**–**	4
– Xinxiang Yuyuan Chemical Co., Ltd. #		**29**	59
– Xinxiang Xinlianxin Lifting Co., Ltd. #		**–**	1
Purchases of spare parts inventories from:	(iii)		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #		**15,782**	24,369
– Henan Shenzhou Heavy Sealing Co., Ltd. #		**–**	1
– Xinjiang Antai Shenzhou Fengtou Co., Ltd.		**–**	8,089
Service fee expenses for provision of lifting services from:	(iv)		
– Xinxiang Xinlianxin Lifting Co., Ltd. #		**3,277**	6,572
– Xinxiang Xinlianxin Chemical Co., Ltd. #		**4,778**	–
Operating lease expenses to:	(v)		
– Henan Xin XinLianXin Chemicals Group Co., Ltd.		**2,239**	2,239
Catering and accommodation expenses to:	(vi)		
– Xinxiang Xinlianxin Hotel Co., Ltd. #		**4,765**	4,756
– Xinxiang City Eight Mile Gully Resort Co., Ltd. #		**–**	254
Operating lease income from:	(vii)		
– Xinxiang Xinlianxin Lifting Co., Ltd. #		**3,230**	–
Purchase of raw materials from:	(viii)		
– Xinxiang Yuyuan Chemical Co., Ltd. #		**6,036**	–
Prepayment for the purchase of land use right from:			
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	(ix)	**105,322**	–

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

* The amounts represent gross sales of by-products. Profit generated from these sales amounting to RMB457,000 (2014: RMB726,000) is included in net profit from sales of by-products (note 6).

38. Related Party Transactions (continued)

(a) (continued)

Notes:

(i) The sales of electricity were 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 25% above cost (2014: approximately 31% above cost).

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

(iii) The purchases of items of property, plant and equipment were charged based on the mutually agreed terms with reference to the contract

(iv) The service fee expenses for the provision of lifting services were charged based on mutually agreed terms with reference to the contract.

(v) The operating lease expenses for the year were charged at a fixed monthly amount of RMB186,600 (2014: RMB186,600).

(vi) The catering and accommodation expenses were charged based on mutually agreed terms with reference to the contract.

(vii) The operating lease income was charged based on mutually agreed terms with reference to the rate of usage. The fees for lifting leases will be based on the mutually agreed terms with reference to the contract.

(viii) The purchases of raw material were charged based on the mutual agreement between XLX Yuyuan and Henan XLX with reference to the contract.

(ix) The consideration was determined with reference to the property valuation report issued by an independent professional property valuer in the PRC.

Certain of 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:

	2015 RMB'000	2014 RMB'000
Directors' fees	**800**	800
Salaries and bonuses	**14,127**	9,282
Contributions to defined contribution plans	**262**	220
	15,189	10,302
Comprise amounts paid to:		
– Directors of the Company	**11,184**	6,246
– Other key management personnel	**4,005**	4,056
	15,189	10,302

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

39. 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:

Financial assets

		2015			2014		
	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 investment	18	–	11,180	11,180	–	13,298	13,298
Trade and bills receivables	21	66,281	–	66,281	36,360	–	36,360
Deposits and other receivables	19	76,231	–	76,231	348,304	–	348,304
Due from a related company	22	2,430	–	2,430	–	–	–
Pledged time deposits	23	397,884	–	397,884	491,713	–	491,713
Cash and cash equivalents	23	581,355	–	581,355	633,389	–	633,389
		1,124,181	11,180	1,135,361	1,509,766	13,298	1,523,064

Financial liabilities

		Financial liabilities at amortised cost	
	Notes	2015 RMB'000	2014 RMB'000
Trade payables	24	140,229	95,574
Bills payable	25	998,738	906,765
Financial liabilities included in accruals and other payables	26	801,367	855,176
Due to a related company	22	8,805	1,704
Interest-bearing bank and other borrowings	28	4,458,951	4,024,519
Other payables		116,777	361
Long-term bonds payable	29	800,000	450,000
		7,324,867	6,334,099

40. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts		Fair values	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Financial asset				
Available-for-sale investment	**3,680**	5,798	**3,680**	5,798
Financial liabilities				
Interest-bearing bank and other borrowings	**4,458,951**	4,024,519	**4,458,951**	4,024,519
Long-term bonds payable	**800,000**	450,000	**800,000**	450,000
	5,258,951	4,474,519	**5,258,951**	4,474,519

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

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 non-current portion of other payables, interest-bearing bank and other borrowings and bonds payable 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 non-current portion of other payables, interest-bearing bank and other borrowings and bonds payable as at 31 December 2015 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.

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

Fair value hierarchy

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

Asset measured at fair value:

As at 31 December 2015

	Quoted prices in active markets (Level 1) RMB'000
Available-for-sale investment	3,680

As at 31 December 2014

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

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 (2014: Nil).

Liability measured at fair value:

The Group had no financial liability measured at fair value as at 31 December 2015 and 31 December 2014.

41. 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, amount 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 2015, RMB3,794,000 of the Group's trade receivables (2014: Nil) were due from its top 10 customers.

(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.

41. 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.

	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
31 December 2015					
Trade payables	**140,229**	**–**	**–**	**–**	**140,229**
Bills payable	**998,738**	**–**	**–**	**–**	**998,738**
Financial liabilities included in accruals and other payables	**801,367**	**–**	**–**	**–**	**801,367**
Due to a related company	**8,805**	**–**	**–**	**–**	**8,805**
Interest-bearing bank and other borrowings	**961,727**	**2,407,348**	**483,211**	**1,386,381**	**5,238,667**
Other payables	**116,777**	**–**	**–**	**–**	**116,777**
Long-term bonds payable	**–**	**921,498**	**–**	**–**	**921,498**
	3,027,643	**3,328,846**	**483,211**	**1,386,381**	**8,226,081**
31 December 2014					
Trade payables	95,574	–	–	–	95,574
Bills payable	906,765	–	–	–	906,765
Financial liabilities included in accruals and other payables	855,176	–	–	–	855,176
Due to a related company	1,704	–	–	–	1,704
Interest-bearing bank and other borrowings	443,127	2,326,473	742,405	1,342,111	4,854,116
Other payables	361	–	–	–	361
Long-term bonds payable	252,184	233,950	–	–	486,134
	2,554,891	2,560,423	742,405	1,342,111	7,199,830

41. Financial Risk Management Objectives and Policies (continued)

(c) Interest rate risk

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

Sensitivity analysis for interest rate risk

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

For variable rate financial assets and liabilities, the Group has determined the carrying amounts of cash and short-term deposits based on their notional amounts, which reasonably approximate to their fair values because these are mostly short-term in nature or are repriced frequently. For interest-bearing 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	2015 RMB'000	2014 RMB'000
Interest expense			
RMB	10	**(3,094)**	(3,068)
USD	10	**(243)**	(270)
Interest income			
RMB	10	**487**	535
USD	10	**7**	16

(d) Foreign currency risk

The Group holds cash and cash equivalents and interest-bearing bank borrowings 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:

	2015 RMB'000	2014 RMB'000
SGD	**161**	143
USD	**(381,154)**	(363,471)
HKD	**69**	71
	(380,924)	(363,257)

41. 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.

		2015 RMB'000	2014 RMB'000
SGD	– strengthened 5% (2014: 5%)	**8**	7
	– weakened 5% (2014: 5%)	**(8)**	(7)
USD	– strengthened 2% (2014: 2%)	**(7,623)**	(7,269)
	– weakened 2% (2014: 2%)	**7,623**	7,269
HKD	– strengthened 1% (2014: 1%)	**1**	1
	– weakened 1% (2014: 1%)	**(1)**	(1)

42. 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 2015 and 31 December 2014.

As disclosed in note 33, 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 2015 and 31 December 2014.

42. 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%.

	2015 RMB'000	2014 RMB'000
Trade payables	**140,229**	95,574
Bills payable	**998,738**	906,765
Accruals and other payables	**1,193,612**	1,344,779
Due to a related company	**8,805**	1,704
Interest-bearing bank and other borrowings	**4,458,951**	4,024,519
Other payables	**116,777**	361
Long-term bonds payable	**800,000**	450,000
Less: Cash and cash equivalents	**(581,355)**	(633,389)
Pledged deposits	**(397,884)**	(491,713)
Net debt	**6,737,873**	5,698,600
Equity attributable to owners of the parent	**3,001,017**	2,674,955
Less: Statutory reserve fund	**(275,880)**	(229,180)
Total capital	**2,725,137**	2,445,775
Capital and net debt	**9,463,010**	8,144,375
Gearing ratio	**71.20%**	69.97%

Net debt includes interest-bearing bank and other borrowings, long-term bonds payable, trade and bills payables, amount 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.

43. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,340,000**	1,340,000
Available-for-sale investment	**–**	5,798
Total non-current assets	**1,340,000**	1,345,798
CURRENT ASSETS		
Available-for-sale investment	**3,680**	–
Due from a subsidiary	**220,938**	395,938
Prepayments	**318**	318
Cash and cash equivalents	**22,628**	4,331
Total current assets	**247,564**	400,587
CURRENT LIABILITIES		
Accruals and other payables	**11,303**	12,167
Interest-bearing bank and other borrowings	**285,873**	210,056
Total current liabilities	**297,176**	222,223
Net current assets/(liabilities)	**(49,612)**	178,364
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,290,388**	1,524,162
NON-CURRENT LIABILITIES		
Long-term bond payable	**–**	250,000
Total non-current liabilities	**–**	250,000
Net assets	**1,290,388**	1,274,162
EQUITY		
Share capital	**881,124**	881,124
Convertible bonds	**322,436**	322,436
Reserves	**86,828**	70,602
Total equity	**1,290,388**	1,274,162

Liu Xingxu
Director

Yan Yunhua
Director

43. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Convertible bonds RMB'000	Available for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	322,436	3,622	16,554	342,612
Profit for the year	–	–	127,547	127,547
Other comprehensive loss for the year:				
Change in fair value of an available-for-sale investment	–	(2,525)	–	(2,525)
Total comprehensive income/(loss) for the year	–	(2,525)	127,547	125,022
Convertible bond interest	14,596	–	(14,596)	–
Payment of convertible bonds interest	(14,596)	–	–	(14,596)
Final 2013 dividend declared	–	–	(60,000)	(60,000)
At 31 December 2014	322,436	1,097	69,505	393,038

	Convertible bonds RMB'000	Available for-sale investment revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	**322,436**	**1,097**	**69,505**	**393,038**
Profit for the year	**–**	**–**	**91,919**	**91,919**
Other comprehensive loss for the year:				
Change in fair value of an available-for-sale investment	**–**	**(1,097)**	**–**	**(1,097)**
Total comprehensive income/(loss) for the year	**–**	**(1,097)**	**91,919**	**90,822**
Convertible bond interest	**14,596**	**–**	**(14,596)**	**–**
Payment of convertible bonds interest	**(14,596)**	**–**	**–**	**(14,596)**
Final 2014 dividend declared	**–**	**–**	**(60,000)**	**(60,000)**
At 31 December 2015	**322,436**	**–**	**86,828**	**409,264**

44. Information About Subsidiaries

Particulars of Company's 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, trading of urea and compound fertiliser
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
Tianxin#@ (note a)	PRC/ Mainland China	RMB39,550,000	–	100%	Coal mining and sales of coal
河南農心肥業有限公司 ("Nongxin")#@ (note b)	PRC/ Mainland China	RMB15,000,000	–	100%	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.

\# Not audited by Ernst & Young LLP, Singapore or another member firm of the Ernst & Young global network.

Notes:

(a) During the year, the Group acquired Tianxin from an independent third party. Further details of this acquisition are included in note 34 to the financial statements.

(b) During the year, the Group acquired the remaining 49% interest of Nongxin at a consideration of RMB5,017,000. As a result, the Group owns 100% equity interest of Nongxix as at 31 December 2015.

45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 11 March 2016.

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, is set out below.

	Year ended 31 December				
	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
RESULTS					
REVENUE	**5,788,181**	5,081,748	3,968,946	3,945,584	3,688,233
Cost of sales	**(4,464,611)**	(4,182,984)	(3,221,247)	(3,225,942)	(3,181,860)
Gross profit	**1,323,570**	898,764	747,699	719,642	506,373
Other income and gains	**80,699**	56,272	26,302	29,080	23,986
Selling and distribution expenses	**(347,186)**	(197,946)	(82,242)	(69,462)	(70,500)
General and administrative expenses	**(317,496)**	(242,789)	(275,984)	(202,493)	(136,059)
Other expenses	**(33,181)**	(10,976)	(9,079)	(22,387)	(20,025)
Finance costs	**(228,190)**	(218,020)	(95,073)	(82,359)	(78,930)
PROFIT BEFORE TAX	**478,216**	285,305	311,623	372,021	224,845
Income tax expense	**(69,945)**	(48,579)	(52,230)	(61,020)	(44,337)
PROFIT FOR THE YEAR	**408,271**	236,726	259,393	311,001	180,508
Attributable to:					
Owners of the parent	**408,780**	240,796	264,052	311,121	180,508
Non-controlling interest	**(509)**	(4,070)	(4,659)	(120)	–
	408,271	236,726	259,393	311,001	180,508
ASSETS AND LIABILITIES					
TOTAL ASSETS	**10,835,284**	9,588,469	7,302,884	5,117,217	4,187,695
TOTAL LIABILITIES	**(7,834,267)**	(6,915,013)	(4,789,033)	(2,788,785)	(2,126,018)
	3,001,017	2,673,456	2,513,851	2,328,432	2,061,677

Glossary

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

"AC" or "Audit Committee"	Audit Committee of the Company
"AGM"	Annual General Meeting of the Company
"Board" or "Board of Directors"	The Board of Directors
"Companies Act"	The Companies Act (Chapter 50) of Singapore
"Company" or "China XLX"	China XLX Fertiliser Ltd.
"Constitution"	Constitution of the Company
"Director(s)"	Director(s) of the Company
"EGM"	Extraordinary General Meeting of the Company
"FY 2014""	The financial year ended 31 December 2014
"FY 2015""	The financial year ended 31 December 2015
"Group"	The Company and its subsidiaries altogether
"Henan XLX"	Henan Xinlianxin Fertiliser Co., Ltd., a wholly owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Listing Rules"	The Rules Governing the Listing of Securities on the SEHK
"NC" or "Nominate Committee"	Nomination Committee of the Company
"PRC" or "China"	The People's Republic of China
"RC" or "Remuneration Committee"	Remuneration Committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore dollars
""SEHK"	The Stock Exchange of Hong Kong Limited
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
""SGX-ST"	Singapore Exchange Securities Trading Limited
"Shareholders"	Shareholders of the Company
"XLX 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

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