HIGH-EFFICIENCY FERTILISERS IN CHINA

Interim Report 2016

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

Three adherences

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

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

Four leading aspects

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

Contents

Corporate Information

Board

Executive Directors

LIU Xingxu *(Chairman of the Board)*
YAN Yunhua *(Chief Financial Officer)*
ZHANG Qingjin *(Chief Executive Officer)*

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
(with effect from financial year ended 31 December 2010)

Legal Advisors

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

Principal Bankers

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

Registered Office

80 Robinson Road
#02-00
Singapore 068898

Headquarters and Principal Place of Business in PRC

Xinxiang Economic Development Zone
Henan Province
PRC 453731

Principal Place of Business in Hong Kong

20th Floor, Alexandra House
18 Chater Road, Central
Hong Kong

Stock Code

Hong Kong Stock Code: 1866

Corporate Website

http://www.chinaxlx.com.hk

Management Discussion and Analysis

The board of directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**" and, together with its subsidiaries, the "**Group**") is pleased to present this interim report for the six months ended 30 June 2016.

(I) Business Review

Revenue

Revenue for the half year ended 30 June 2016 ("**1H2016**") increased by about RMB9 million from approximately RMB2,885 million for the half year ended 30 June 2015 ("**1H2015**") to approximately RMB2,894 million for 1H2016. The increase was mainly due to the increase in revenue derived from the sales of furfuryl alcohol. The increase in total revenue was partially offset by the decrease in revenue derived from sales of urea and methanol.

Urea

Revenue derived from the sales of urea decreased by approximately RMB54 million or 3% from approximately RMB1,606 million for 1H2015 to approximately RMB1,553 million for 1H2016 mainly due to the decrease in average selling price by approximately 31%. The decrease in revenue was offset by the increase in sales volume by approximately 39%. The increase in sales volume was mainly due to the commencement of production of the Xinjiang Project and the improvement of production efficiency of the existing production facilities.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB62 million or 21% from approximately RMB302 million for 1H2015 to approximately RMB240 million for 1H2016 mainly due to the decrease in average selling price and sales volume by approximately 15% and 6% respectively.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB10 million from approximately RMB899 million for 1H2015 to approximately RMB909 million for 1H2016. Such increase primarily resulted from the increase in sales volume by approximately 22% in 1H2016 due to the expansion of the Group's sales network. The increase in revenue was offset by the decrease in average selling prices by approximately 17% mainly due to the declined raw material prices and the cessation of value added tax exemptions.

Gross profit margin

Overall gross profit margin decreased from approximately 25% in 1H2015 to approximately 19% in 1H2016.

Gross profit margin of urea decreased from approximately 27% in 1H2015 to approximately 23% in 1H2016 due to the decline in average selling price by approximately 31% as a result of the continuously weak international commodity prices. The decline in average selling price was offset by the decrease in average cost of sales by approximately 27% mainly due to the improvement of the cost efficiency by the outstanding operational performance of Plant IV and lower coal prices.

Gross profit margin of methanol decreased from approximately 15% in 1H2015 to approximately 9% in 1H2016. This was mainly due to the decrease in average selling price by approximately 15%. The decrease in average selling price was partially offset by the reduction of average cost of sales by approximately 9% due to lower coal prices in 1H2016.

Gross profit margin of compound fertiliser decreased from approximately 24% in 1H2015 to approximately 17% in 1H2016. This was mainly due to the decrease in average selling price by approximately 17%. The decrease in average selling price was partially offset by the reduction of average cost of sales by approximately 8%.

(I) Business Review (Continued)

Other income, net

Other income, net increased by approximately RMB21 million from approximately RMB18 million in 1H2015 to approximately RMB39 million in 1H2016. This was mainly due to the increase in subsidies from government and the reduction in loss on disposal of items of property, plant and equipment by approximately RMB19 million and RMB15 million respectively. The increase was partially offset by the decrease in net profit from sales of by-products and bank interest income by approximately RMB9 million and RMB6 million respectively.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB26 million or 15% from approximately RMB172 million in 1H2015 to approximately RMB198 million in 1H2016. This was mainly due to the increase in sales staff costs, travelling expenses, consumables expense, transportation cost and depreciation by approximately RMB11 million, RMB8 million, RMB5 million, RMB3 million and RMB1 million respectively. The increases in those expenses are in line with the Group's implementation of product differentiation strategy, which sales volume of high efficiency fertilisers accounted for 29% of the sales volume of the Group's fertiliser products and the profit from high efficiency fertilisers accounted for 67% of the profit of the Group's fertiliser products. The increase was partially offset by the decrease in advertising expense by approximately RMB4 million. The increase in staff cost and travelling expenses are in line with the increased sales volume of urea and compound fertiliser as a result of the expansion of the Group's sales networks.

General and administrative expenses

General and administrative expenses decreased by approximately RMB3 million or 2% from approximately RMB153 million in 1H2015 to RMB150 million in 1H2016. The decrease was mainly due to the decrease in administrative staff costs and professional costs by approximately RMB11 million and RMB2 million respectively. The decrease was partially offset by the increase in research and development expense, depreciation cost and amortisation cost by approximately RMB4 million, RMB3 million and RMB2 million respectively.

Finance costs

Finance costs increased by approximately RMB34 million or 31% from approximately RMB109 million in 1H2015 to approximately RMB143 million in 1H2016, which was mainly due to the decrease in amount of interest expense capitalised by approximately RMB40 million from approximately RMB47 million in 1H2015 to approximately RMB7 million in 1H2016. The decrease in interest capitalised was mainly due to the completion of the construction of Xinjiang Project in second half of 2015.

Income tax expense

Income tax expense decreased by approximately RMB36 million or 75% from approximately RMB48 million in 1H2015 to RMB12 million in 1H2016 due to lower taxable profits.

(I) Business Review (Continued)

Profit and total comprehensive income for the period

The profit and total comprehensive income for the period decreased by approximately RMB164 million or 67% from approximately RMB245 million in 1H2015 to approximately RMB81 million in 1H2016. This was mainly due to the decrease in gross profit of approximately RMB163 million and increase in finance costs and selling and distribution expenses by approximately RMB34 million and RMB26 million respectively. The decrease in profit and total comprehensive income for the period was offset by the increase in other income and decrease in income tax expense by approximately RMB21 million and RMB36 million respectively.

(II) Financial Review

Gearing

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Amounts due to related companies	**5,790**	8,805
Trade and bills payables	**906,634**	1,138,967
Accruals and other payables	**1,097,032**	1,193,612
Interest-bearing bank and other borrowings	**4,805,245**	4,458,951
Other payables	**–**	116,777
Long-term bond payable	**800,000**	800,000
Less: Cash and cash equivalents	**(682,446)**	(581,355)
Less: Pledged time deposits	**(192,358)**	(397,884)
Net debt	**6,739,897**	6,737,873
Equity attributable to owners of the Company	**2,999,501**	3,001,017
Less: Statutory reserve fund	**(275,880)**	(275,880)
Total capital	**2,723,621**	2,725,137
Capital and net debt	**9,463,518**	9,463,010
Gearing ratio	**71.22%**	71.20%

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

(II) Financial Review (Continued)

Loans

Amount payable in one year or less, or on demand

	As at 30/6/2016		As at 31/12/2015	
	Secured RMB'000 (Unaudited)	Unsecured RMB'000 (Unaudited)	Secured RMB'000 (Audited)	Unsecured RMB'000 (Audited)
Bank loans	291,375	342,484	287,873	602,295

Amount payable after one year

	As at 30/6/2016		As at 31/12/2015	
	Secured RMB'000 (Unaudited)	Unsecured RMB'000 (Unaudited)	Secured RMB'000 (Audited)	Unsecured RMB'000 (Audited)
Bank loans	–	4,167,750	178,000	3,386,238
Long-term bond payable	–	800,000	–	800,000
Loan from the government	–	3,636	–	4,545
	–	4,971,386	178,000	4,190,783

Details of guarantee

As at 30 June 2016, the Group has approximately RMB291 million (31 December 2015: RMB288 million) short-term loans secured by pledged fixed deposits.

(III) Prospects

The recession in urea market has continued during the first half of 2016 due to a combination of various factors, including the adverse international and domestic macro-economic environment, overcapacity and the declining prices for agricultural produce. As a result, the domestic urea industry as a whole has suffered severe loss as the selling price of urea was below the industry's average cost. Notwithstanding the above, thanks to our advantages in cost-control, product differentiation and corporate governance, the profitability of the Group still manages to outperform most of its peers in the industry. Facing the challenging environment as a whole and those specific to our industry, in particular taking into account the increased expenses incurred due to the change of our marketing strategies in the recent two years, the Company recorded a considerable decrease in net profit for the first half of 2016. It is expected that there will be downward pressure on the domestic macro-economy and under such context, the recession in the urea industry and market would continue.

(III) Prospects (Continued)

The depressed market environment will speed up consolidation within the industry and squeeze out obsolete and inefficient producers. Ultimately, this is expected to result in a reduction in the supply of urea. By contrast, the agricultural demand for urea product would remain stable and so, following the squeezing out of the obsolete and inefficient producers, the relation between supply of and demand for urea would improve. On the premises of maintaining our low-cost advantage, the Group aims to enhance its product differentiation strategies, accelerate the transformation of our sales and marketing, products and services, increase the market share of high-efficiency fertilisers, implement the on-line and off-line branding and marketing for our products and increase our revenue by providing branding and technical services. After the completion of the transformation, the position of the Company, as the leader in providing differentiated products, in the fertiliser industry will be enhanced and the profitability of the Company will be strengthened.

Save as mentioned above, there is no important event affecting the Company and its subsidiaries that have occurred since 30 June 2016.

(IV) Directors' and Chief Executives' Interests in Shares

As at 30 June 2016, the interests of the directors of the Company (the "**Directors**") and chief executives of the Company in shares of the Company, as recorded in the register required to be kept by the Company pursuant to the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**SEHK**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (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	360,207,999 (Note (a))	360,807,999	36.08%
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 30 June 2016.

(IV) Directors' and Chief Executives' Interests in Shares (Continued)

Notes:

(a) These shares were held by Pioneer Top Holdings Limited ("**Pioneer Top**"). Mr. Liu Xingxu beneficially owned approximately 42% of the equity interest in Pioneer Top and held the remaining approximately 58% of equity interest in Pioneer Top in trust for seven 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 30 June 2016, none of the Directors, chief executives of the Company nor their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to 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.

(V) Substantial Shareholders' Interests in Shares and Underlying Shares and Debentures

As at 30 June 2016, 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	360,207,999	–	360,207,999	36.02%(*)
Go Power (Note (b))	Beneficial owner	277,734,000	–	277,734,000	27.77%(*)
Nitro Capital Limited ("**Nitro**") (Note (c))	Beneficial owner	–	176,000,000	176,000,000	14.97%(**)

* The percentage represents the number of issued ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2016.

** The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2016, as enlarged by the number of shares supposed to be issued after full conversion of the convertible bonds.

(V) Substantial Shareholders' Interests in Shares and Underlying Shares and Debentures (Continued)

Notes:

(a) Pioneer Top is an investment holding company established in the British Virgin Islands (the "**BVI**"). Mr. Liu Xingxu beneficially owned approximately 42% of the equity interest in Pioneer Top, and held the remaining approximately 58% of the equity interest in Pioneer Top in trust for seven beneficiaries under a trust agreement, including approximately 7% for Mr. Zhang Qingjin, the Company's executive Director; approximately 7% for Mr. Li Yushun, 7% for Mr. Ru Zhengtao and 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, the Company's former executive Director. Mr. Liu Xingxu has the absolute discretion to exercise the voting rights held by Pioneer Top in the Company in accordance with the trust agreement. Such interest held by Pioneer Top has also been disclosed as the interest of Mr. Liu Xingxu in the above section headed "Directors' and Chief Executives' Interests in Shares".

(b) Go Power is an investment holding company established in the BVI. Ms. Yan Yunhua beneficially owned approximately 12.74% of the equity interest in Go Power and held approximately 87.26% of the equity interest in Go Power in trust for a total of 1,463 beneficiaries under 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. Such interest held by Go Power has also been disclosed as the interest of Ms. Yan Yunhua in the above section headed "Directors' and Chief Executives' Interests in Shares".

(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 30 June 2016, no person, other than the Directors and chief executive whose interests are set out in the section headed "Directors' and Chief Executives' Interests in Shares" above, had an interest or a short position in the shares, underlying shares or debentures 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.

(VI) Supplementary Information

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

For the six months ended 30 June 2016, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRSs, IASs and Interpretations).

2. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by 1.9% in the six months ended 30 June 2016 as compared to an increase of 1.3% in the same period in 2015. Such inflation in the PRC did not have a significant impact on the Group's operating results.

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 30 June 2016, approximately RMB634 million (31 December 2015: RMB890 million), or 11.3% (31 December 2015: 16.9%) of the Group's loans will mature in less than one year based on the carrying value of the loans reflected in the financial statements.

(VI) Supplementary Information (Continued)

2. Operational and Financial Risks (Continued)

(vii) Gearing Risk

The Group monitors its capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital in 2015 and 2016. The gearing ratio of the Group as at 30 June 2016 (calculated as net debt divided by total capital plus net debt) was 71.22%, representing a decrease of 0.02 percentage point as compared to 31 December 2015. As at 30 June 2016, except for the pledged time deposits of RMB192,358,000 (31 December 2015: RMB397,884,000), the Group had no pledge of assets.

3. Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities (2015: Nil).

4. Material Litigation and Arbitration

As at 30 June 2016, the Group was not involved in any material litigation or arbitration.

5. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2016 have been reviewed by the Audit Committee.

6. Compliance with the Model Code

The Board has adopted the Model Code as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2016, all Directors have complied with the required standards of the Model Code.

7. Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees of the Company

The Company has 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 during the six months ended 30 June 2016.

(VI) Supplementary Information (Continued)

8. Compliance with the Code on Corporate Governance Practices

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016, except for the deviation of code provision A.2.1 for the period from 1 January 2016 to 25 April 2016.

Code provision A.2.1 stipulates that the roles of chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. Liu Xingxu ("**Mr. Liu**") had been the Chairman of the Board and Chief Executive Officer of the Company since the incorporation of the Company. The Board had considered such structure beneficial to the Group as the Board believed that Mr. Liu, 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.

On 26 April 2016, the Company announced that Mr. Zhang Qingjin ("**Mr. Zhang**"), an executive director of the Company, took up the role as the Chief Executive Officer of the Company, while Mr. Liu remained as the Chairman of the Board with effect from 26 April 2016. The Board considered that such segregation of the roles of the Chairman of the Board and the Chief Executive Officer of the Company was principally necessitated by an increase in the scale of the Group's operations, and the resultant separation of the duties of the Chairman of the Board and the Chief Executive Officer of the Company would enable a more timely management of the Group's affairs and further reinforce the Group's development.

Since then, the Company has complied with the code provision A.2.1, with Mr. Liu focusing on the overall strategic planning and business development of the Group as the Chairman of the Board, whereas Mr. Zhang being responsible for the overall management, administrative functions and day-to-day business operations of the Group as the Chief Executive Officer of the Company.

9. Purchase, Sales or Redemption of the Company's Securities

For the six months ended 30 June 2016, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the securities of the Company.

10. Employees and Remuneration Policy

As at 30 June 2016, there were 6,522 (as at 30 June 2015: 5,722) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

11. Disclosure on the Websites of the SEHK and the Company

This report is published on the website of the SEHK (http://www.hkexnews.hk) and on the website of the Company (http://www.chinaxlx.com.hk).

(VI) Supplementary Information (Continued)

12. Corporate Communications

In accordance with the Listing Rules, the Company has ascertained shareholders' wishes regarding their preferences on the language (i.e. English and/or Chinese) and means of receipt (i.e. in printed form or via the Company's website) of the Company's corporate communications#. Shareholders who have chosen/are deemed to have chosen to receive the corporate communications via the Company's website, and who for any reason have difficulty in receiving or gaining access to the Company's corporate communications will promptly upon request be sent the corporate communications in printed form free of charge. Shareholders have the right at any time to change their choice of language and means of receipt of the Company's corporate communications.

Shareholders may request for printed copy of the Company's corporate communications or change their choice of language and means of receipt of the Company's corporate communications by sending reasonable prior notice in writing to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Shareholders may also send such a notice by email to chinaxlx-ecom@hk.tricorglobal.com.

Shareholders who have chosen to receive the corporate communications in either English or Chinese version will receive both English and Chinese versions of this interim report since both languages are bound together into one booklet.

The Company's corporate communications refer to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to: (a) annual report; (b) interim report; (c) notice of meeting; (d) listing document; (e) circular; and (f) form of proxy.

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Notes	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
		Six months ended 30 June	
REVENUE	4	**2,893,912**	2,884,752
Cost of sales		**(2,346,864)**	(2,174,496)
Gross profit		**547,048**	710,256
Other income, net	4	**38,947**	17,715
Selling and distribution expenses		**(198,506)**	(172,482)
General and administrative expenses		**(149,927)**	(153,102)
Finance costs	5	**(143,628)**	(109,371)
PROFIT BEFORE TAX	6	**93,934**	293,016
Income tax expense	7	**(12,450)**	(48,080)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**81,484**	244,936
Profit for the period and total comprehensive income attributable to:			
Owners of the parent		**81,484**	245,445
Non-controlling interest		**–**	(509)
		81,484	244,936
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents per share)	9	**6.93**	20.87

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

Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**8,009,304**	8,013,765
Prepaid land lease payments	10	**381,727**	190,949
Goodwill		**25,361**	25,361
Coal mining rights	10	**97,641**	99,514
Available-for-sale investment	12	**7,500**	7,500
Deferred tax assets		**19,801**	19,714
Prepayments for purchases of items of plant and equipment	11	**112,007**	182,592
Prepayments to a related company		**–**	44,000
Total non-current assets		**8,653,341**	8,583,395
CURRENT ASSETS			
Available-for-sale investment	12	**3,680**	3,680
Due from a related company		**4,675**	2,430
Inventories	13	**390,002**	453,921
Trade and bills receivables	14	**112,504**	66,281
Prepayments	11	**134,540**	241,184
Deposits and other receivables		**523,696**	492,256
Income tax recoverable		**688**	12,898
Pledged time deposits	15	**192,358**	397,884
Cash and cash equivalents	15	**682,446**	581,355
Total current assets		**2,044,589**	2,251,889
CURRENT LIABILITIES			
Due to related companies		**5,790**	8,805
Trade payables	16	**208,269**	140,229
Bills payable		**698,365**	998,738
Accruals and other payables		**1,097,032**	1,193,612
Income tax payable		**–**	4
Deferred grants		**–**	4,536
Interest-bearing bank and other borrowings	17	**633,859**	890,168
Total current liabilities		**2,643,315**	3,236,092
NET CURRENT LIABILITIES		**(598,726)**	(984,203)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,054,615**	7,599,192

Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	17	**4,171,386**	3,568,783
Deferred grants		**49,466**	49,450
Deferred tax liabilities		**34,262**	63,165
Other payables		**–**	116,777
Long-term bond payable		**800,000**	800,000
Total non-current liabilities		**5,055,114**	4,598,175
NET ASSETS		**2,999,501**	3,001,017
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**881,124**	881,124
Statutory reserve fund		**275,880**	275,880
Convertible bonds		**329,714**	322,436
Retained profits		**1,512,783**	1,521,577
TOTAL EQUITY		**2,999,501**	3,001,017

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

Group

	Issued capital RMB'000	Convertible bonds RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Total equity RMB'000
(Unaudited)						
As at 1 January 2016	**881,124**	**322,436**	**–**	**275,880**	**1,521,577**	**3,001,017**
Profit for the period and total comprehensive income for the period	**–**	**–**	**–**	**–**	**81,484**	**81,484**
2015 final dividend declared	**–**	**–**	**–**	**–**	**(83,000)**	**(83,000)**
Interests on convertible bonds	**–**	**7,278**	**–**	**–**	**(7,278)**	**–**
As at 30 June 2016	**881,124**	**329,714**	**–**	**275,880**	**1,512,783**	**2,999,501**

	Issued capital RMB'000	Convertible bonds RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
(Unaudited)								
As 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 period and total comprehensive income for the period	–	–	–	–	245,445	245,445	(509)	244,936
Acquisition of non-controlling interest	–	–	–	(703)	(6,324)	(7,027)	2,008	(5,019)
2014 final dividend declared	–	–	–	–	(60,000)	(60,000)	–	(60,000)
Interests on convertible bonds	–	7,238	–	–	(7,238)	–	–	–
As at 30 June 2015	881,124	329,674	1,097	228,477	1,413,001	2,853,373	–	2,853,373

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cash flows from operating activities			
Profit before tax		**93,934**	293,016
Adjustments for:			
Amortisation of prepaid land lease payment	6	**3,704**	2,727
Amortisation of coal mining rights	6	**1,874**	819
Depreciation of property, plant and equipment	6	**256,194**	178,861
Loss on disposal of items of property, plant and equipment	4	**825**	16,001
Amortisation of deferred grants	4	**(21,428)**	–
Interest income	4	**(8,926)**	(14,758)
Finance costs	5	**143,628**	109,371
		469,805	586,037
Decrease/(increase) in inventories		**63,924**	(53,796)
Increase in trade and bills receivables		**(46,223)**	(21,140)
Decrease in prepayments		**106,644**	22,412
Increase in other receivables and deposits		**(31,440)**	(77,103)
Increase in an amount due from a related company		**(2,245)**	(2,101)
Increase/(decrease) in trade and bills payables		**(232,333)**	124,633
Decrease in other payables and accruals		**(98,846)**	(98,507)
Increase in amounts due to related companies		**–**	512
Cash generated from operations		**229,286**	480,947
Interest received		**8,926**	14,758
Interest paid		**(154,760)**	(109,371)
Income taxes paid		**(13,472)**	(30,085)
Government grants received		**13,928**	–
Net cash generated from operating activities		**83,908**	356,249

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cash flows from investing activities			
Purchases of items of property, plant and equipment, and land use rights		**(454,142)**	(792,534)
Proceeds from disposal of items of property, plant and equipment		**2,505**	21
Decrease/(increase) in pledged time deposits		**205,526**	(3,361)
Net cash flows used in investing activities		**(246,111)**	(795,874)
Cash flows from financing activities			
Proceeds from loans and borrowings		**1,516,703**	1,174,170
Repayment of loans and borrowings		**(1,170,409)**	(868,409)
Dividend paid		**(83,000)**	–
Net cash generated from financing activities		**263,294**	305,761
Net increase/(decrease) in cash and cash equivalents		**101,091**	(133,864)
Cash and cash equivalents at beginning of period		**581,355**	633,389
Cash and cash equivalents at end of period		**682,446**	499,525

Notes to the Condensed Consolidated Interim Financial Information

30 June 2016

1. Corporate Information

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are 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 and general trading. The principal activities of the Company's subsidiaries are the manufacturing and trading of urea, compound fertiliser, methanol, furfuryl alcohol, liquid ammonia and ammonia solution, and coal mining and sales of coal.

2.1 Basis of Preparation

The condensed consolidated interim financial information has 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.

The condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised standards for the first time for the current period'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*

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.

2.2 Changes in Accounting Policies and Disclosures (continued)

(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.

- 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 relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial period. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. Operating Segment Information

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

(i) Urea

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

(ii) Compound fertiliser

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

(iii) Methanol

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

(iv) Sale of other products

Other products includes furfuryl alcohol, crude methanol, liquid ammonia and ammonia solution. Furfuryl alcohol can be used as solvent, rocket fuel and plasticizer. Crude methanol, liquid ammonia and ammonia solution are by-products during urea production.

In addition, the Group had acquired a subsidiary that is engaged in coal mining and the sale of coal in November 2011. However, in the opinion of the directors, there were only limited operations in this subsidiary after the acquisition by the Group and the assets and liabilities were not material for the purpose of segment reporting. Accordingly, a separate operating segment for the coal mining business carried out by that subsidiary has not been presented.

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

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

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

3. Operating Segment Information (continued)

Allocation basis

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

Group assets and liabilities cannot be directly attributable to individual segments as it is impracticable to allocate them to the segments. Except for the assets and liabilities of the subsidiary acquired in 2011 as mentioned above which were not material for the purpose of segment reporting, assets of the Group are utilised interchangeably between different segments and there is no reasonable basis to allocate liabilities of the Group between the different segments. Accordingly, it is not meaningful to disclose assets, liabilities and capital expenditure by operating segments.

For the six months ended 30 June 2016

	Urea (Unaudited) RMB'000	Compound fertiliser (Unaudited) RMB'000	Methanol (Unaudited) RMB'000	Others (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
REVENUE						
Sales to external customers	1,552,500	909,234	240,069	192,109	–	2,893,912
Intersegment sales	137,478	7,808	–	2,885	(148,171)	–
Total revenue	1,689,978	917,042	240,069	194,994	(148,171)	2,893,912
Segment profit	356,170	150,078	22,385	18,415	–	547,048
Interest income						8,926
Unallocated other income						30,021
Unallocated expenses						(348,433)
Finance costs						(143,628)
Profit before tax						93,934
Income tax expense						(12,450)
Profit for the period						81,484

3. Operating Segment Information (continued)

Allocation basis (continued)

For the six months ended 30 June 2015

	Urea (Unaudited) RMB'000	Compound fertiliser (Unaudited) RMB'000	Methanol (Unaudited) RMB'000	Others (Unaudited) RMB'000	Elimination (Unaudited) RMB'000	Total (Unaudited) RMB'000
REVENUE						
Sales to external customers	1,606,291	898,714	302,145	77,602	–	2,884,752
Intersegment sales	248,871	2,382	–	1,077	(252,330)	–
Total revenue	1,855,162	901,096	302,145	78,679	(252,330)	2,884,752
Segment profit	435,486	219,671	45,723	9,376	–	710,256
Interest income						14,758
Unallocated other income						2,957
Unallocated expenses						(325,584)
Finance costs						(109,371)
Profit before tax						293,016
Income tax expense						(48,080)
Profit for the period						244,936

4. Revenue and Other Income, Net

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 and other income, net is as follows:

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue		
Sale of goods	**2,893,912**	2,884,752

4. Revenue and Other Income, Net (continued)

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Other income		
Bank interest income	**8,926**	14,758
Net profit from sales of by-products	**5,250**	13,885
Service fee income from related parties	**790**	317
Amortisation of deferred grants	**21,428**	–
Penalty income	**862**	1,263
Subsidy income	**2,161**	4,774
Others	**1,085**	200
	40,502	35,197
Other expenses		
Loss on disposal of items of property, plant and equipment	**(825)**	(16,001)
Others	**(730)**	(1,481)
	(1,555)	(17,482)
Other income, net	**38,947**	17,715

5. Finance Costs

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on bank loans, overdrafts, other loans and bonds	**150,833**	156,497
Less: interest capitalised	**(7,205)**	(47,126)
	143,628	109,371

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of inventories sold	**2,346,864**	2,174,496
Depreciation of property, plant and equipment	**256,194**	178,861
Amortisation of prepaid land lease payments	**3,704**	2,727
Amortisation of coal mining rights	**1,874**	819
Minimum lease payments under operating leases:		
Land	**199**	199
Buildings	**1,120**	1,120
	1,319	1,319
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	**245,983**	220,198
Contributions to defined contribution plans	**30,962**	28,557
Welfare expenses	**15,488**	11,684
	292,433	260,439
Amortisation of deferred grants	**(21,428)**	–
Auditors' remuneration	**874**	850
Loss on disposal of items of property, plant and equipment	**825**	16,001

7. Income Tax

The Company is incorporated in Singapore and is subject to an income tax rate of 20% for the six months ended 30 June 2016 (six months ended 30 June 2015: 20%).

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 an income tax rate of 25% (2015: 25%). For the six months ended 30 June 2016, one of the subsidiaries was subject to a concessionary tax rate of 15% as it obtained the New/High Technology Enterprise Award.

7. Income Tax (continued)

The major component of income tax expense for the six months ended 30 June 2016 and 2015 is:

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Current – PRC		
Charge for the period	**12,450**	48,080

8. Dividend

Final dividend of RMB83,000,000 (year ended 31 December 2014: RMB60,000,000) for the year ended 31 December 2015 was declared during the six months ended 30 June 2016.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Company

Earnings per share is calculated by dividing the Group's profit for the period attributable to ordinary equity holders of the Company by the weighted average number of 1,176,000,000 (six months ended 30 June 2015: 1,176,000,000) ordinary shares (inclusive of mandatorily convertible instruments issued during the period) outstanding during the period.

There were no potentially dilutive ordinary shares in existence during the six months ended 30 June 2016 and 2015 and therefore the diluted earnings per share amounts for those periods were the same as the basic earnings per share amounts.

10. Property, Plant and Equipment, Prepaid Land Lease Payments and Coal Mining Rights

During the period, payments for purchases of items of property, plant and equipment, land use rights and coal mining rights and proceeds from disposal of items of property, plant and equipment of the Group amounted to approximately RMB454,142,000 and RMB2,505,000 (six months ended 30 June 2015: RMB792,534,000 and RMB21,000), respectively.

11. Prepayments

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT		
Prepayments		
Prepayments for purchases of items of plant and equipment	**112,007**	182,592
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**101,420**	230,946
Current portion of prepaid land lease payments	**3,843**	3,843
Other prepayments	**29,277**	6,395
	134,540	241,184

12. Available-For-Sale Investment

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT		
Unlisted equity investment, at cost		
PRC	**7,500**	7,500
CURRENT		
Listed equity investment, at fair value		
Singapore	**3,680**	3,680

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

There was no change of fair value in respect of the available-for-sale investments for the six months period ended 30 June 2016 (six months ended 30 June 2015: Nil). The market value of the listed equity investment at the date of approval of these financial statements was approximately RMB3,680,000.

13. Inventories

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Raw materials	**150,743**	196,063
Parts and spares	**75,823**	61,492
Work-in-progress	**8,568**	6,028
Finished goods	**154,868**	190,338
	390,002	453,921

14. Trade and Bills Receivables

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Trade receivables	**97,626**	65,381
Bills receivable	**14,874**	900
	112,504	66,281

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

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

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 month	**71,265**	20,326
1 to 3 months	**13,819**	32,163
3 to 6 months	**3,758**	9,513
6 to 12 months	**6,385**	1,494
Over 12 months	**2,399**	1,885
	97,626	65,381

15. Cash and Cash Equivalents and Pledged Time Deposits

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Fixed deposits	**192,358**	397,884
Less: Pledged time deposits	**(192,358)**	(397,884)
	–	–
Cash at banks and on hand	**682,446**	581,355
Cash and cash equivalents	**682,446**	581,355

As at 30 June 2016, the cash and bank balances of the Group denominated in RMB amounted to RMB672,727,000 (31 December 2015: RMB572,441,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

16. Trade Payables

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

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Within 1 month	**125,373**	108,352
1 to 3 months	**46,513**	19,433
3 to 6 months	**13,012**	2,551
6 to 12 months	**11,029**	3,852
Over 12 months	**12,342**	6,041
	208,269	140,229

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

17. Interest-Bearing Bank and Other Borrowings

	30 June 2016			31 December 2015		
	Contractual interest rate	Maturity	RMB'000 (Unaudited)	Contractual interest rate	Maturity	RMB'000 (Audited)
CURRENT						
Bank loans						
– secured	**1.12% to 3.16%**	**2016 to 2017**	**291,375**	3.15% to 4.52%	2016	287,873
– unsecured	**2.84% to 4.75%**	**2016 to 2017**	**342,484**	2.84% to 7.21%	2016	602,295
			633,859			890,168
NON-CURRENT						
Bank loans						
– secured	**–**	**–**	**–**	4.52%	2018	178,000
– unsecured	**2.55% to 7.21%**	**2016 to 2020**	**4,167,750**	4.13% to 6.90%	2017 to 2021	3,386,238
Loan from the government						
– unsecured (note (b))	**Floating rate at 0.3% above the market prime lending rate**	**2020**	**3,636**	Floating rate at 0.3% above the market prime lending rate	2020	4,545
			4,171,386			3,568,783
			4,805,245			4,458,951

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**633,859**	890,168
In the second year	**658,750**	2,189,250
In the third to fifth years, inclusive	**2,784,000**	367,759
Beyond five years	**725,000**	1,007,229
	4,801,609	4,454,406
Other borrowings repayable:		
In the third to fifth years, inclusive	**3,636**	4,545
	4,805,245	4,458,951

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

Notes:

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

(b) The loan from the government bears interest at a floating rate of 0.30% (2015: 0.30%) above the market prime lending rate and is not due to be repaid within the next 12 months.

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

18. Major Non-Cash Transaction – Interest Capitalisation

During the period under review, the Group capitalised interest expense of RMB7,205,000 (2015: RMB47,126,000) to property, plant and equipment.

19. Contingent Liabilities

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

20. Commitments

The Group had the following capital and other commitments as at the end of the reporting period:

	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Capital commitments		
Contracted, but not provide for:		
Buildings	**324,548**	238,119
Plant and machinery	**238,039**	48,677
Coal mines	**137,852**	27,134
Land use right	**–**	61,320
	700,439	813,306
Other commitments:		
Purchases of raw materials	**1,055,610**	565,618

21. Related Party Transactions

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of electricity, water and steam to:		
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**515**	817
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**79**	100
– Xinxiang Yuyuan Chemical Co., Ltd.#	**290**	420
Service fee income for provision of calibration and testing services to:		
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**–**	12
– Xinxiang Yuyuan Chemical Co., Ltd.#	**9**	12
Purchases of raw materials and consumables from:		
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	2,602
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**5,639**	14,955
Service fee expenses for provision of lifting services from:		
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	3
Operating lease expenses to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	**932**	1,120

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

21. Related Party Transactions (continued)

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Directors' fee	**400**	400
Salaries and bonuses	**1,170**	6,507
Contributions to defined contribution plans	**122**	122
Total compensation paid to key management personnel	**1,692**	7,029

22. SEASONALITY OF OPERATIONS

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