

(A) UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

Under the Listing Manual pursuant to which the Shares were listed on SGX-ST, the Company is required to publish its interim financial results on a quarterly basis.

The information set out in this Appendix II does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to the Listing Document, and is included herein for information only.

The following is the unaudited interim condensed financial information, which comprises the audited company and consolidated statements of financial position as at 31 December 2008, the unaudited company and consolidated statements of financial position as at 30 September 2009; the unaudited consolidated statements of comprehensive income; the unaudited consolidated statements of cash flows and the unaudited company and consolidated statements of changes in equity for the three and nine months ended 30 September 2008 and 2009; and certain explanatory notes, prepared in accordance with Singapore Financial Reporting Standards promulgated by the Singapore Accounting Standards Council for the purpose of inclusion in this Listing Document.

Consolidated Statements of Comprehensive Income

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE	4	665,923	628,523	1,691,301	1,620,490
Cost of sales		(598,298)	(495,735)	(1,475,071)	(1,215,151)
Gross profit		67,625	132,788	216,230	405,339
Other income and gains	5	2,766	4,295	8,935	10,874
Selling and distribution expenses		(4,643)	(4,582)	(12,260)	(14,820)
General and administrative expenses		(31,483)	(17,287)	(83,516)	(57,319)
Other expenses		(6,608)	(6,715)	(8,036)	(9,602)
Finance costs	7	(9,933)	(6,595)	(23,763)	(18,086)
PROFIT BEFORE TAX	6	17,724	101,904	97,590	316,386
Tax	8	(5,261)	(5,302)	(20,764)	(15,659)
Net profit attributable to equity holders of the parent		12,463	96,602	76,826	300,727
Other comprehensive income/(expense)					
Gain/(loss) on hedging instruments		(31)	14,773	(19,807)	14,773
Total comprehensive income attributable to equity holders of the parent		12,432	111,375	57,019	315,500
Earnings per share attributable to equity holders of the parent (RMB cents per share)					
Basic and diluted	9	1.25	9.66	7.68	30.07

Consolidated Statements of Financial Position

	Notes	Group		Company	
		As at 30 September 2009	As at 31 December 2008	As at 30 September 2009	As at 31 December 2008
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		2,204,569	1,616,011	—	—
Prepaid land lease payments		73,451	72,628	—	—
Prepayments		41,061	277,882	—	—
Investment in a subsidiary		—	—	800,000	800,000
Total non-current assets		<u>2,319,081</u>	<u>1,966,521</u>	<u>800,000</u>	<u>800,000</u>
CURRENT ASSETS					
Inventories		166,898	234,965	—	—
Trade and bills receivables	11	18,966	26,247	—	—
Prepayments		36,188	28,156	—	—
Deposits and other receivables		35,876	6,094	17	1,509
Due from a subsidiary		—	—	8,620	309,420
Derivative financial assets		—	19,807	—	19,807
Pledged deposits	12	17,674	—	—	—
Cash and cash equivalents	12	<u>163,204</u>	<u>200,114</u>	<u>17,772</u>	<u>23,037</u>
Total current assets		<u>438,806</u>	<u>515,383</u>	<u>26,409</u>	<u>353,773</u>
Total assets		<u><u>2,757,887</u></u>	<u><u>2,481,904</u></u>	<u><u>826,409</u></u>	<u><u>1,153,773</u></u>
EQUITY AND LIABILITIES					
CURRENT LIABILITIES					
Trade payables	13	67,854	47,760	—	—
Bills payable		35,346	—	—	—
Accruals and other payables		181,571	259,411	12,402	10,563
Due to related companies		—	1,676	—	—
Income tax payable		3,079	220	—	220
Deferred grants		10,145	9,740	—	—
Derivative financial liabilities		6,522	—	6,522	—
Interest-bearing bank and other borrowings	14	<u>255,000</u>	<u>145,000</u>	—	—
Total current liabilities		<u>559,517</u>	<u>463,807</u>	<u>18,924</u>	<u>10,783</u>
Net current assets/(liabilities)		<u>(120,711)</u>	<u>51,576</u>	<u>7,485</u>	<u>342,990</u>

	Notes	Group		Company	
		As at 30 September 2009	As at 31 December 2008	As at 30 September 2009	As at 31 December 2008
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES					
Accruals		92,038	25,600	—	—
Interest-bearing bank and other borrowings	14	650,087	522,974	—	307,557
Deferred tax liabilities		24,000	18,617	—	—
Total non-current liabilities		766,125	567,191	—	307,557
Total liabilities		1,325,642	1,030,998	18,924	318,340
Net assets		1,432,245	1,450,906	807,485	835,433
Equity attributable to equity holders of the parent					
Issued capital		836,671	836,671	836,671	836,671
Statutory reserve fund		88,537	77,770	—	—
Hedging reserve		—	19,807	—	19,807
Retained profits		507,037	440,731	(29,186)	(96,972)
Proposed final dividend		—	75,927	—	75,927
Total equity		1,432,245	1,450,906	807,485	835,433
Total equity and liabilities		2,757,887	2,481,904	826,409	1,153,773

Consolidated Statements of Changes in Equity

Group

	Notes	Share capital	Statutory reserve fund	Hedging reserve	Retained profits	Proposed final dividend	Total equity
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2008		836,671	40,514	—	222,240	71,468	1,170,893
Total							
comprehensive income for the period		—	—	14,773	300,727	—	315,500
Final 2007 dividend declared		—	—	—	—	(71,468)	(71,468)
Transfer to statutory reserve fund	(i)	—	32,396	—	(32,396)	—	—
At 30 September 2008		<u>836,671</u>	<u>72,910</u>	<u>14,773</u>	<u>490,571</u>	<u>—</u>	<u>1,414,925</u>
At 1 July 2008		836,671	62,338	—	404,541	—	1,303,550
Total							
comprehensive income for the period		—	—	14,773	96,602	—	111,375
Transfer to statutory reserve fund	(i)	—	10,572	—	(10,572)	—	—
At 30 September 2008		<u>836,671</u>	<u>72,910</u>	<u>14,773</u>	<u>490,571</u>	<u>—</u>	<u>1,414,925</u>
At 1 January 2009		836,671	77,770	19,807	440,731	75,927	1,450,906
Total							
comprehensive income for the period		—	—	(19,807)	76,826	—	57,019
Transfer from proposed final 2008 dividend to retained profits	(ii)	—	—	—	247	(247)	—
Final 2008 dividend declared		—	—	—	—	(75,680)	(75,680)
Transfer to statutory reserve fund	(i)	—	10,767	—	(10,767)	—	—
At 30 September 2009		<u>836,671</u>	<u>88,537</u>	<u>—</u>	<u>507,037</u>	<u>—</u>	<u>1,432,245</u>
At July 2009		836,671	85,740	31	497,371	—	1,419,813
Total							
comprehensive income for the period		—	—	(31)	12,463	—	12,432
Transfer to statutory reserve fund	(i)	—	2,797	—	(2,797)	—	—
At 30 September 2009		<u>836,671</u>	<u>88,537</u>	<u>—</u>	<u>507,037</u>	<u>—</u>	<u>1,432,245</u>

Company

Note	Share capital	Hedging reserve	Accumulated losses	Proposed final dividend	Total equity
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
At 1 January 2008	836,671	—	(72,264)	71,468	835,875
Total comprehensive income for the period	—	14,773	62,425	—	77,198
Final 2007 dividend declared	—	—	—	(71,468)	(71,468)
At 30 September 2008	<u>836,671</u>	<u>14,773</u>	<u>(9,839)</u>	<u>—</u>	<u>841,605</u>
At 1 July 2008	836,671	—	(5,700)	—	830,971
Total comprehensive income/ (expenses) for the period	—	14,773	(4,139)	—	10,634
At 30 September 2008	<u>836,671</u>	<u>14,773</u>	<u>(9,839)</u>	<u>—</u>	<u>841,605</u>
At 1 January 2009	836,671	19,807	(96,972)	75,927	835,433
Total comprehensive income/ (expense) for the period	—	(19,807)	67,540	—	47,733
Transfer from proposed final 2008 dividend to retained profits (ii)	—	—	247	(247)	—
Final 2008 dividend declared	—	—	—	(75,680)	(75,680)
At 30 September 2009	<u>836,671</u>	<u>—</u>	<u>(29,185)</u>	<u>—</u>	<u>807,486</u>
At 1 July 2009	836,671	31	(27,072)	—	809,630
Total comprehensive expenses for the period	—	(31)	(2,113)	—	(2,144)
At 30 September 2009	<u>836,671</u>	<u>—</u>	<u>(29,185)</u>	<u>—</u>	<u>807,486</u>

Notes:

- (i) In accordance with the Wholly Foreign Owned Enterprise Law applicable to the subsidiary in the PRC, the subsidiary is required to make appropriations to the Statutory Reserve Fund (the "SRF"). At least 10% of the statutory 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 subsidiary's 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 subsidiary. The SRF is not available for dividend distribution to shareholders.
- (ii) During the nine months ended 30 September 2009, difference between the proposed and declared final 2008 dividend amounted to RMB247,000 was noted which represented the exchange difference arising from the appreciation of Renminbi ("RMB") against Singapore dollar which was realised upon payment and was transferred to the retained profits as at 30 September 2009.

Consolidated Statements of Cash Flows

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		17,724	101,904	97,590	316,386
Adjustments for:					
Amortisation of prepaid land lease payments	6	392	266	1,041	798
Depreciation of property, plant and equipment	6	37,813	19,512	87,624	57,834
Loss on disposal of property, plant and equipment	6	225	—	240	348
Write-off of property, plant and equipment	6	186	—	186	—
Amortisation of deferred grants	5	—	—	(1,545)	—
Net fair value loss/(gain) on derivative financial assets/liabilities	5, 6	6,522	(1,781)	6,522	(1,781)
Write-back for doubtful trade receivables	6	—	—	—	(83)
Write-off of trade receivables	6	—	—	—	41
Provision of inventories	6	—	3,000	—	3,000
Interest income	5	(201)	(293)	(1,033)	(2,275)
Interest expense	7	9,933	6,595	23,763	18,086
		72,594	129,203	214,388	392,354
Decrease/(increase) in inventories		(630)	(3,415)	68,067	(110,362)
Decrease/(increase) in trade and bills receivables		4,307	(9,461)	7,281	(17,547)
Decrease/(increase) in prepayments		(9,176)	41,274	(9,896)	(7,979)
Decrease/(increase) in deposits and other receivables		(7,280)	(2,537)	(29,782)	(260)
Decrease/(increase) in amounts due from related companies		—	(1,142)	—	856
Increase/(decrease) in trade and bills payables		44,094	49,146	55,440	58,102
Increase/(decrease) in accruals and other payables		31,031	8,763	(74,535)	44,662
Increase in derivative financial liabilities		6,522	—	6,522	—
Increase/(decrease) in amounts due to related companies		(2,649)	331	(1,676)	(1,053)
Cash flows generated from operations		138,813	212,162	235,809	358,773
Government grant received		1,150	—	1,950	250
Interest paid		(9,933)	(6,595)	(28,763)	(18,086)
Interest received		201	293	1,033	2,275
Tax paid		—	—	(12,522)	(378)
Net cash inflow from operating activities		130,231	205,860	197,507	342,834

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2009	2008	2009	2008
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	15(i)	(108,345)	(275,147)	(378,176)	(610,540)
Increase in pledged time deposits		(3,173)	(24,525)	(17,674)	(21,016)
Net cash outflow from investing activities		(111,518)	(299,672)	(395,850)	(631,556)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid on ordinary shares	10	—	—	(75,680)	(71,468)
Proceeds from loans and borrowings		350,065	140,000	759,670	330,000
Proceeds from termination of derivative financial assets		—	1,571	—	1,571
Repayments of loans and borrowings		(307,557)	(115,000)	(522,557)	(327,000)
Net cash inflow/(outflow) from financing activities		42,508	26,571	161,433	(66,897)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of period		101,983	218,432	200,114	506,810
Cash and cash equivalents at end of period		163,204	151,191	163,204	151,191
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	12	154,166	119,395	154,166	119,395
Non-pledged time deposits with original maturity of less than three months when acquired	12	9,038	31,796	9,038	31,796
		163,204	151,191	163,204	151,191

1. CORPORATE INFORMATION

The Company was incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The registered office of the Company is located at 333 North Bridge Road, #08-00 KH Kea Building, Singapore 188721. The principal place of business of the Group is located at Xinxiang Economic and Technology Development Zone, West Zone, Henan Province, the People’s Republic of China (“**PRC**”). The principal activity of the Company consists of investment holding.

At the date of these interim condensed financial information, the Company had direct interest in a wholly-owned subsidiary, Henan Xinlianxin Fertiliser Co., Ltd, a private limited liability company, the particulars of which are set out below:

<u>Name</u>	<u>Place and date of registration</u>	<u>Nominal value of registered capital</u>	<u>Percentage of equity interest directly attributable to the Company</u>	<u>Principal activities</u>
Henan Xinlianxin Fertiliser Co., Ltd. (“ Henan XLX ”).	PRC 24 July 2006	RMB800,000,000	100%	Manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The interim condensed financial information comprise the unaudited company and consolidated statements of financial position as at 30 September 2009 and the audited company and consolidated statements of financial position as at 31 December 2008; the unaudited consolidated income statements; the unaudited company and consolidated statement of changes in equity; and the unaudited consolidated cash flow statements for the three months and nine months ended 30 September 2009 and 2008 and certain explanatory notes. The interim condensed financial information have been prepared by the directors in accordance with Singapore Financial Reporting Standard 34 “Interim Financial Reporting” issued by the Singapore Accounting Standards Council and the applicable disclosure requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The significant accounting policies adopted in the preparation of the interim condensed financial information are consistent with those adopted in the preparation of the financial information for each of the years ended 31 December 2006, 2007 and 2008 and the seven months ended 31 July 2008 and 2009, details of which are set out in note 3 of Section II of the accountants’ report as set out in Appendix I to the listing document of the Company dated 27 November 2009 in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by the way of introduction.

3. IMPACT OF NEW AND REVISED SINGAPORE FINANCIAL REPORTING STANDARDS (“SFRSs”)

For the purpose of preparing and presenting the interim condensed financial information, the Group has adopted all the new and revised SFRSs that require retrospective application that are relevant to the Group’s operations as of the beginning of the respective periods. Although the revised SFRS 23 *Borrowing Costs* is effective for annual periods beginning on or after 1 January 2009, the Group has elected to early adopt it with effect from 1 August 2008. The adoption of these new and revised SFRSs, except for SFRS 1 *Presentation of Financial Statements* and SFRS 23 *Borrowing Costs*, as described below, had no material effect on the results and financial position of the interim condensed financial information.

SFRS 1 Presentation of Financial Statements

Based on the requirements of the revised standard, the Group:

- separated the presentation of owner and non-owner changes in equity. The consolidated statements of changes in equity include only details of transactions with owners, with all non-owner changes in equity presented as a single line as “Total comprehensive income attributable to equity holders of the parent for the period”.
- elected to present all items of income and expense, including those accounted for directly in equity, in the consolidated statements of comprehensive income.

SFRS 23 Borrowing Costs

SFRS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group applied this revised standard to capitalise the borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 August 2008 instead of the original effective date of 1 January 2009 in the case for the Group. This change in accounting policy had no material effect on how the results for the nine-month period ended 30 September 2008 have been prepared and presented. The early adoption has resulted in capitalisation of borrowing costs of RMB5,000,000 for the nine-month period ended 30 September 2009.

The Group has not early adopted the following SFRS and INT SFRS that have been issued but will only become effective for annual periods beginning on or after 1 July 2009:

SFRS 27 Amendments	Consolidated and Separate Financial Statements
SFRS 39 Amendments	Financial Instruments: Recognition and Measurement — Amendments relating to Eligible Hedged Items
SFRS 103 (Revised)	Business Combinations
SFRS 105 Amendments	Non-current Assets Held for Sale and Discontinued Operations
INT SFRS 117	Distributions of Non-cash Assets to Owners
SFRS 38 Amendments	Intangible Assets
SFRS 102 Amendments	Share-based Payment
SFRS 108 Amendments	Operating Segments
INT SFRS 109 Amendments	Reassessment of Embedded Derivatives
INT SFRS 116 Amendments	Hedges of a Net Investment in a Foreign Operation

The adoption of the above pronouncements is expected to have no material impact on the financial statements in the period of initial application.

4. SEGMENT INFORMATION

Segment profit definition

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

Group

Three months ended 30 September 2008	Urea	Compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Sales to external customers	255,981	309,606	60,908	2,028	—	628,523
Intersegment sales	47,550	—	—	1,892	(49,442)	—
Total revenue	303,531	309,606	60,908	3,920	(49,442)	628,523
Segment profit/(loss)	30,485	93,757	9,488	(942)	—	132,788
Unallocated expenses, net						(24,582)
Financial expenses, net						(6,302)
Profit before tax						101,904
Income tax expense						(5,302)
Net profit attributable to equity holders of the parent						96,602
Nine months ended 30 September 2008	Urea	Compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Sales to external customers	808,121	627,175	179,944	5,250	—	1,620,490
Intersegment sales	135,025	—	—	3,757	(138,782)	—
Total revenue	943,146	627,175	179,944	9,007	(138,782)	1,620,490
Segment profit/(loss)	203,829	149,942	51,234	334	—	405,339
Unallocated expenses, net						(73,142)
Financial expenses, net						(15,811)
Profit before tax						316,386
Income tax expense						(15,659)
Net profit attributable to equity holders of the parent						300,727

Three months ended 30 September 2009	Urea	Compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Sales to external customers	424,151	185,004	54,473	2,295	—	665,923
Intersegment sales	10,484	—	—	22,877	(33,361)	—
Total revenue	<u>434,635</u>	<u>185,004</u>	<u>54,473</u>	<u>25,172</u>	<u>(33,361)</u>	<u>665,923</u>
Segment profit/(loss)	68,268	5,945	(5,891)	(697)	—	67,625
Unallocated expenses, net						(40,169)
Financial expenses, net						<u>(9,732)</u>
Profit before tax						17,724
Income tax expense						<u>(5,261)</u>
Net profit attributable to equity holders of the parent						<u><u>12,463</u></u>
Nine months ended 30 September 2009	Urea	Compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Sales to external customers	1,202,567	366,144	116,210	6,380	—	1,691,301
Intersegment sales	115,828	—	—	4,628	(120,456)	—
Total revenue	<u>1,318,395</u>	<u>366,144</u>	<u>116,210</u>	<u>11,008</u>	<u>(120,456)</u>	<u>1,691,301</u>
Segment profit/(loss)	243,224	3,220	(27,337)	(2,877)	—	216,230
Unallocated expenses, net						(95,910)
Financial expenses, net						<u>(22,730)</u>
Profit before tax						97,590
Income tax expense						<u>(20,764)</u>
Net profit attributable to equity holders of the parent						<u><u>76,826</u></u>

APPENDIX II UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

5. OTHER INCOME AND GAINS

An analysis of the Group's other income and gains is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	201	293	1,033	2,275
Sale of by-products	1,292	2,065	2,672	4,797
Service fee income from related parties	19	21	53	44
Amortisation of deferred grants	—	—	1,545	—
Net fair value gain on derivative financial assets	—	1,781	—	1,781
Realised exchange gain	—	—	31	—
Unrealised exchange gain	98	—	—	—
Subsidy income	1,000	—	2,915	1,355
Others	156	135	686	622
	<u>2,766</u>	<u>4,295</u>	<u>8,935</u>	<u>10,874</u>

6. PROFIT BEFORE TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	598,298	492,735	1,475,071	1,212,151
Provision of inventories	—	3,000	—	3,000
	<u>598,298</u>	<u>495,735</u>	<u>1,475,071</u>	<u>1,215,151</u>
Depreciation	37,813	19,512	87,624	57,834
Amortisation of prepaid land lease payments	392	266	1,041	798
Minimum lease payments under operating leases:				
Land	569	54	1,493	510
Buildings	224	146	656	759
	<u>793</u>	<u>200</u>	<u>2,149</u>	<u>1,269</u>
Auditors' remuneration	3,802	248	6,253	1,234
Employee benefit expenses (including directors' remuneration):				
Salaries and bonuses	19,686	17,778	55,597	52,569
Contribution to defined contribution plans	3,817	2,398	10,768	5,458
Welfare expenses	830	384	2,787	2,254
	<u>24,333</u>	<u>20,560</u>	<u>69,152</u>	<u>60,281</u>

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reversal of impairment of trade receivables	—	—	—	(83)
Write-off of trade receivables	—	—	—	41
Research expenses	221	21	337	36
Net fair value loss on derivative financial assets*	6,522	—	6,522	—
Unrealised exchange loss*	—	2,118	791	3,119
Loss on disposal of property, plant and equipment*	225	—	240	348
Write-off of property, plant and equipment*	186	—	186	—

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

7. FINANCE COSTS

Group

	Three months ended		Nine months ended	
	30 September		30 September	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans, overdrafts and other loans, wholly repayable within five years.	9,840	6,502	28,486	17,809
Interest on government loans.	93	93	277	277
	9,933	6,595	28,763	18,086
Less: Interest capitalised.	—	—	(5,000)	—
	9,933	6,595	23,763	18,086

8. TAX

The Company is incorporated in Singapore and accordingly, is subject to an income tax rates of 18%.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Based on the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises", the subsidiary is entitled to full exemption from income tax for the first two years and a 50% reduction in income tax for the following three years. In accordance with the new Enterprise Income Tax Law of the PRC, with effect from 1 January 2008, a unified income tax rate of 25% was applied to both domestic and foreign investment enterprises.

The subsidiary had elected the financial year ended 31 December 2007 as the first profitable year for the purpose of determining the tax holiday period. Accordingly, the subsidiary was exempted from income tax during the three months and nine months ended 30 September 2008. For the three months and nine months ended 30 September 2009, the subsidiary was in its third profitable year and hence became subject to a concessionary rate of 12.5%.

Group

	Note	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Current — Singapore					
Overprovision in prior years		—	(85)	—	(640)
Current — PRC					
Charge for the period		3,862	—	15,381	—
Deferred	(i)	1,399	5,387	5,383	16,299
Total tax charge for the period		<u>5,261</u>	<u>5,302</u>	<u>20,764</u>	<u>15,659</u>

Note:

- (i) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Earnings per share for the nine months ended 30 September 2009 and 2008, and three months ended 30 September 2009 and 2008 are calculated by dividing the Group's net profit attributable to shareholders for each of these periods by the weighted average number of 1,000,000,000 ordinary shares in issue.

There were no dilutive ordinary shares in existence during the nine months ended 30 September 2009 and 2008, and the three months ended 30 September 2009 and 2008.

10. DIVIDEND

The directors do not recommend the payment of any dividend to the shareholders for the nine months ended 30 September 2009 and 2008, and the three months ended 30 September 2009 and 2008.

11. TRADE AND BILLS RECEIVABLES

	Group	
	As at 30 September 2009	As at 31 December 2008
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade receivables	13,500	7,989
Impairment	(322)	(322)
	13,178	7,667
Bills receivable	5,788	18,580
	18,966	26,247

Trade receivables are non-interest-bearing and are normally settled on 30 to 90 days' term. The Group's bills receivable are non-interest-bearing and are normally settled on 90 to 180 days' term. 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.

An aged analysis of the Group's trade receivables as at 30 September 2009 and 31 December 2008, based on the invoice date and net of provisions, is as follows:

	Group	
	As at 30 September 2009	As at 31 December 2008
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 1 month	12,971	6,641
1 to 3 months	75	1,014
3 to 6 months	128	9
6 to 12 months	1	3
Over 12 months	3	—
	13,178	7,667

The Company had no trade receivables at both dates of statement of financial position.

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	As at 30 September 2009	As at 31 December 2008	As at 30 September 2009	As at 31 December 2008
	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Time deposits	26,712	10,685	9,038	10,685
Less: Pledged time deposits for bills payable	(17,674)	—	—	—
	9,038	10,685	9,038	10,685
Cash at banks and on hand	154,166	189,429	8,734	12,352
Cash and cash equivalents	163,204	200,114	17,772	23,037

At 30 September 2009, the cash and bank balances of the Group denominated in RMB amounted to RMB145,432,000 (31 December 2008: RMB36,006,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administrative 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.

13. TRADE PAYABLES

An aged analysis of the Group's trade payables as at 30 September 2009 and 31 December 2008, based on the invoice date, is as follows:

	Group	
	As at 30 September 2009	As at 31 December 2008
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within 1 month	31,629	37,960
1 to 3 months	10,841	3,669
3 to 6 months	8,536	2,149
6 to 12 months	3,805	910
Over 12 months	13,043	3,072
	67,854	47,760

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days' terms.

The Company had no trade payables at both dates of statement of financial position.

APPENDIX II UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As at 30 September 2009			As at 31 December 2008		
	Contractual interest rate	Maturity	RMB'000 (Unaudited)	Contractual interest rate	Maturity	RMB'000 (Audited)
CURRENT						
Bank loans						
— unsecured	4.8% to 5.84%	2009 to 2010	255,000	6.14% to 7.47%	2009	145,000
NON-CURRENT						
Bank loans						
— secured	5.4%	2012	120,000	—	—	—
— unsecured	5.4%	2010 to 2012	520,000	Floating rate at not more than 30% above the PBOC prime lending rate	2010 to 2011	115,000
Syndicated bank loan						
— unsecured	—	—	—	USD LIBOR + 2.25%	2010 to 2011	307,557 (c)
Loan from the government						
— unsecured	Floating rate at 0.3% above market prime lending rate	—	10,087 (d)	Floating rate at 0.3% above market prime lending rate	—	10,417 (d)
Entrusted loans due to a related party						
— unsecured	—	—	—	6.804%	2011	90,000
			<u>650,087</u>			<u>522,974</u>
			<u>905,087</u>			<u>667,974</u>

Company

	As at 30 September 2009			As at 31 December 2008		
	Contractual interest rate	Maturity	RMB'000 (Unaudited)	Contractual interest rate	Maturity	RMB'000 (Audited)
NON-CURRENT						
Syndicated bank loan						
— unsecured	—	—	—	USD LIBOR + 2.25%	2010 to 2011	307,557

Group

	Group		Company	
	As at 30 September 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)	As at 30 September 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)
Analysed into:				
Bank loans repayable:				
Within one year or on demand	255,000	145,000	—	—
In the second year	370,000	123,023	—	123,023
In the third to fifth years, inclusive	270,000	299,534	—	184,534
	<u>895,000</u>	<u>567,557</u>	<u>—</u>	<u>307,557</u>
Other borrowings repayable:				
In the second year	10,087	10,417	—	—
In the third to fifth years, inclusive	—	90,000	—	—
	<u>10,087</u>	<u>100,417</u>	<u>—</u>	<u>—</u>
	<u>905,087</u>	<u>667,974</u>	<u>—</u>	<u>307,557</u>

Notes:

- (a) Certain bank loans of the Group and of the Company were guaranteed by independent third parties.
- (b) Except for the syndicated bank loan with interest at LIBOR + 2.25% which is denominated in United States dollars, all borrowings are in RMB. This syndicated bank loan has a principal sum of USD45,000,000 (equivalent to RMB307,557,000) and its foreign currency and interest rate risk exposures have been hedged by two interest rate swaps entered into by the Group.
- (c) Pursuant to a loan agreement between the Company and a bank relating to the syndicated loan amounted to USD45,000,000 (equivalent to RMB307,557,000) and with original maturity term in 2011, a termination event would arise if the Group fails to meet the financial covenants as stipulated in the loan agreement. During the period ended 30 September 2009, two of the covenants were breached and according to the loan agreement, the loan has become immediately repayable, and the entire loan of RMB307,557,000 was repaid in September 2009.
- (d) The loan from government bears interest at a floating rate of 0.3% above the market prime lending rate and is not due to be repaid within the next 12 months.

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

APPENDIX II UNAUDITED INTERIM CONDENSED FINANCIAL INFORMATION

15. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The Group's major non-cash transactions include:

(i) *Purchases of property, plant and equipment*

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Additions to property, plant and equipment	80,650	262,460	676,608	376,236
Less: Prepayments made in the prior period	—	—	(277,882)	(56,633)
Less: Payable to creditors	—	—	(151,531)	(20,323)
Less: Interest capitalised	—	—	(5,000)	—
	80,650	262,460	242,195	299,280
Add: Prepayments made in the current period	—	12,687	41,061	277,882
Add: Payments for the prior period purchases	27,695	—	94,920	33,378
	<u>108,345</u>	<u>275,147</u>	<u>378,176</u>	<u>610,540</u>

(ii) *Interest capitalisation*

During the nine months ended 30 September 2009, the Group capitalised interest expenses of RMB5,000,000 in property, plant and equipment.

16. OPERATING LEASE ARRANGEMENTS

The Group had operating lease agreements for buildings, plant and equipment and motor vehicle in Mainland China. Certain of these leases have options for renewal. Future minimum rentals payable under non-cancellable operating leases as at the dates of statement of financial position are as follows:

	Group	
	As at 30 September 2009	As at 31 December 2008
	RMB'000 (Unaudited)	RMB'000 (Audited)
Within one year	2,277	1,507
In the second to fifth years, inclusive	9,010	5,550
After five years	58,571	39,248
	<u>69,858</u>	<u>46,305</u>

The Company had no operating lease arrangements as at 30 September 2009 and 31 December 2008.

17. COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital and other commitments at the dates of statement of financial position:

	Group	
	As at 30 September 2009 RMB'000 (Unaudited)	As at 31 December 2008 RMB'000 (Audited)
Capital commitments		
Contracted, but not provided for:		
Buildings	49,503	28,835
Plant and machinery	161,917	300,782
	<u>211,420</u>	<u>329,617</u>
Authorised, but not contracted for:		
Buildings	1,726	13,341
Plant and machinery	1,066	109,093
	<u>2,792</u>	<u>122,434</u>
	<u>214,212</u>	<u>452,051</u>
Other commitments		
Purchases of raw materials	3,406	262,572

The Company had no material commitment as at 30 September 2009 and 31 December 2008.

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2009	2008	2009	2008
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing transactions					
Sales of water, electricity and steam to:					
	(i)				
— Henan Shenzhou Heavy Sealing Co., Ltd.#		213	248	569	467
— Xinxiang Xinlianxin Gas Products Co., Ltd.#		290	280	756	590
— Xinxiang Xinlianxin Lifting Equipment Co., Ltd.#		1	1	1	2
— Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#		47	71	99	124
— Xinxiang Yuyuan Chemical Co., Ltd.#		122	114	408	222
— Xinxiang Xinlianxin Hotel Co., Ltd.#		19	28	39	43
Service fee income for provision of calibration and testing services from:					
	(ii)				
— Henan Shenzhou Heavy Sealing Co., Ltd.#		6	12	16	16
— Xinxiang Xinlianxin Gas Products Co., Ltd.#		—	—	1	1
— Xinxiang Xinlianxin Lifting Equipment Co., Ltd.#		—	—	1	—
— Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#		2	2	8	4
— Xinxiang Yuyuan Chemical Co., Ltd.#		11	7	27	13
Purchases of equipment and consumables from:					
	(iii)				
— Henan Shenzhou Heavy Sealing Co., Ltd.#		—	30	—	30
— Xinxiang Xinlianxin Gas Products Co., Ltd.#		85	41	437	180
— Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#		—	3,566	—	6,729
Service fee expenses for provision of lifting services to:					
	(iv)				
— Xinxiang Xinlianxin Lifting Equipment Co., Ltd.		<u>453</u>	<u>253</u>	<u>1,973</u>	<u>784</u>
Discontinued transaction					
Purchases of finished goods from:					
	(v)				
— Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#		111	—	111	—
Service fee expenses to:					
	(vi)				
— Xinxiang Xinlianxin Hotel Co., Ltd.#		503	436	1,538	821
Operating lease expenses to:					
	(vii)				
— Henan Chemicals		120	120	360	246
Interest expense to:					
	(viii)				
— Henan Chemicals		<u>—</u>	<u>1,055</u>	<u>2,735</u>	<u>4,287</u>

These companies are subsidiaries of Henan Xinlianxin Chemicals Co., Ltd. (“Henan Chemicals”), which has common shareholders with the Company. The Company’s executive director and executive officers own an aggregate of 24% equity interest in Henan Chemicals.

Notes:

- (i) The sale of water was made according to a mutually agreed fee. The sale of electricity was made according to the unit cost of electricity announced by Henan Province Development and Reform Committee (河南省發展和改革委員會). The sale of steam was made according to a mark-up of 10% above cost.
- (ii) The service fee income was charged to related parties according to mutually agreed terms with reference to the actual costs incurred.
- (iii) The purchases of equipment and consumables were charged based on the published price and conditions offered to third parties by the related parties.

- (iv) The service fee expenses were charged based on mutually agreed terms with reference to the actual costs incurred.
- (v) The purchases of finished goods were charged based on the published prices and conditions offered to third parties by the related companies.
- (vi) The service fee expenses were charged based on mutually agreed terms with reference to the actual costs incurred.
- (vii) The operating lease expenses for the period from 1 January 2008 to 30 June 2008 were charged at a fixed monthly amount of RMB42,000. Starting from 1 July 2008, the Group paid a fixed monthly rental of RMB40,000.
- (viii) The interest expense was charged based on a fixed interest rate of 6.804% per annum on the balance due to related companies.

The related party transactions in respect of items (i), (ii), (iii) and (iv) above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The directors have confirmed that items (i) to (iv) will continue, and items (v) to (viii) will be discontinued, after the listing of the Company's shares on the Stock Exchange.

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

	Three months ended 30 September		Nine months ended 30 September	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Directors' fee	157	157	519	525
Salaries and bonuses	240	1,085	2,860	5,546
Contribution to defined contribution plans	35	21	106	62
	<u>432</u>	<u>1,263</u>	<u>3,485</u>	<u>6,133</u>
Comprise amounts paid to:				
— Directors of the Company	2,062	163	2,897	3,995
— Other key management personnel	143	135	429	381
	<u>2,205</u>	<u>298</u>	<u>3,326</u>	<u>4,376</u>

19. RECONCILIATION BETWEEN SFRSs AND IFRSs

No material differences between the interim condensed financial information of the Group prepared under SFRSs and International Financial Reporting Standards (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations).

20. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The interim condensed financial information were approved and authorised to issue by the board of directors on 27 November 2009.

(B) REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this Listing Document.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

27 November 2009

The Board of Directors
China XLX Fertiliser Ltd.

Dear Sirs,

INTRODUCTION

This report has been prepared for inclusion in the listing document of China XLX Fertiliser Ltd. (the “**Company**”) dated 27 November 2009 in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of introduction.

We have reviewed the unaudited interim condensed financial information of the Company and its subsidiary (hereinafter collectively referred to as the “**Group**”) set out on pages II-1 to II-22, which comprise the company and consolidated statements of financial position as at 30 September 2009 and the consolidated statements of comprehensive income, company and consolidated statements of changes in equity and consolidated statements of cash flows for the three months and the nine months ended 30 September 2009 and 2008, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and Singapore Financial Reporting Standard 34 “Interim Financial Reporting” (“**SFRS 34**”) issued by the Singapore Accounting Standards Council.

The directors of the Company are responsible for the preparation and presentation of these interim condensed financial information in accordance with SFRS 34.

Our responsibility is to express a conclusion on these interim condensed financial information based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim condensed financial information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on

Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review which does not constitute an audit, nothing has come to our attention that causes us to believe that the interim condensed financial information is not prepared, in all material respects, in accordance with SFRS 34.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong