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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)

(Singapore Stock Code: B9R)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board (the "**Board**") of directors (the "**Directors**") of China XLX Fertiliser Ltd. (the "**Company**") is pleased to announce its consolidated results of the Company and its subsidiary (collectively the "**Group**") for the year ended 31 December 2009 together with the comparative figures for the previous year as follows:

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 *RMB'000*
Revenue	*4,5*	**2,329,607**	2,084,943
Cost of sales		**(2,014,212)**	(1,603,073)
Gross profit	*4*	**315,395**	481,870
Other income and gains	*5*	**11,661**	13,664
Selling and distribution expenses		**(16,902)**	(20,722)
General and administrative expenses		**(110,536)**	(91,290)
Other expenses		**(11,587)**	(6,963)
Finance costs	*6*	**(36,522)**	(26,791)
Profit before tax	*7*	**151,509**	349,768
Income tax expense	*8*	**(32,285)**	(18,094)
Net profit attributable to equity holders of the parent			
Other comprehensive income for the year		**119,224**	331,674
Gain/(loss) on hedging instruments		**(19,807)**	19,807
Total comprehensive income attributable to equity holders of the parent		**99,417**	351,481
Earnings per share attributable to equity holders of the parent			
Basic and diluted (RMB cents)	*10*	**11.92**	33.17

Details of the dividends payable and proposed for the year are disclosed in note 9 to the financial statements.

Consolidated Statement of Financial Position
as at 31 December 2009

	Notes	**2009**	2008
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**2,302,013**	1,616,011
Land use rights		**71,192**	72,628
Prepayments for purchases of plant and equipment		**6,515**	277,882
Total non-current assets		**2,379,720**	1,966,521
Current assets			
Inventories		**221,911**	234,965
Trade receivables	*12*	**568**	7,667
Bills receivable	*12*	**40,708**	18,580
Prepayments		**58,476**	28,156
Derivative financial assets		**–**	19,807
Deposits and other receivables		**36,871**	6,094
Income tax recoverable		**11,334**	–
Pledged deposits		**21,173**	–
Cash and cash equivalents		**139,796**	200,114
Total current assets		**530,837**	515,383
Total assets		**2,910,557**	2,481,904
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables	*13*	**47,435**	47,760
Bills payable	*14*	**41,346**	–
Accruals and other payables		**299,500**	259,411
Due to related companies		**1,517**	1,676
Income tax payable		**102**	220
Deferred grants		**8,995**	9,740
Interest-bearing bank and other borrowings		**110,000**	145,000
Total current liabilities		**508,895**	463,807
NET CURRENT ASSETS		**21,942**	51,576

	2009	2008
	RMB'000	*RMB'000*
Non-current liabilities		
Accruals	**65,035**	25,600
Interest-bearing bank and other borrowings	**835,152**	522,974
Deferred tax liabilities	**26,832**	18,617
Total non-current liabilities	**927,019**	567,191
TOTAL LIABILITIES	**1,435,914**	1,030,998
NET ASSETS	**1,474,643**	1,450,906
Equity attributable to equity holders of the parent		
Issued capital	**836,671**	836,671
Statutory reserve fund	**94,200**	77,770
Hedging reserve	**–**	19,807
Retained profits	**514,550**	440,731
Proposed final dividend	**29,222**	75,927
TOTAL EQUITY	**1,474,643**	1,450,906
TOTAL EQUITY AND LIABILITIES	**2,910,557**	2,481,904

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2009

1. CORPORATION 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 dual primary listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited (the "**SEHK**"). 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 High Technology Development Zone, West Zone, Henan Province, the People's Republic of China (the "**PRC**"). The principal activity of the Company consists of investment holding. The principal activities of the Company's subsidiary, namely Henan Xinlianxin Fertiliser Co., Ltd. ("**Henan XLX Fertiliser**"), are manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("**SFRSs**") (which include all Singapore Financial Reporting Standards and Singapore Financial Reporting Interpretations ("**INT SFRSs**")) issued by the Accounting Standards Council of Singapore.

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

3. ADOPTION OF NEW OR AMENDED SFRSs

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- SFRS 1 *Presentation of Financial Statements* (Revised)
- Amendments to SFRS 18 *Revenue*
- Amendments to SFRS 23 *Borrowing Costs*
- Amendments to SFRS 32 *Financial Instruments: Presentation* and SFRS 1 *Presentation of Financial Statements* – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to SFRS 101 *First-time Adoption of Financial Reporting Standards* and SFRS 27 *Consolidated and Separate Financial Statements* – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to SFRS 102 *Share-based Payment* – Vesting Conditions and Cancellations
- Amendments to SFRS 107 *Financial Instruments: Disclosures*
- SFRS 108 *Operating Segments*
- Improvements to SFRSs issued in 2008
- INT SFRS 113 *Customer Loyalty Programmes*
- INT SFRS 116 *Hedges of a Net Investment in a Foreign Operation*
- Amendments to INT FRS 109 *Reassessment of Embedded Derivatives* and FRS 39 *Financial Instruments: Recognition and Measurement* – Embedded Derivatives
- INT FRS 118 *Transfers of Assets from Customers*

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 financial statements.

SFRS 1 *Presentation of Financial Statements* – Revised presentation

The revised SFRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the revised SFRS 1 introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present one single statement.

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 year ended 31 December 2008 have been prepared and presented. The early adoption has resulted in capitalisation of borrowing costs of RMB5,000,000 for the year ended 31 December 2009 (note 6).

SFRS 108 *Operating Segments*

SFRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under SFRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in note 4, including revised comparative information.

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to SFRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item	1 July 2009
Revised SFRS 103 Business Combinations	1 July 2009
Amendments to SFRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT SFRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
Improvements to SFRSs issued in 2009:	
– Amendments to SFRS 38 Intangible Assets	1 July 2009
– Amendments to SFRS 102 Share-based Payment	1 July 2009
– Amendments to SFRS 108 Operating Segments	1 July 2009
– Amendments to INT SFRS 109 Reassessment of Embedded Derivatives	1 July 2009
– Amendments to INT SFRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
– Amendments to SFRS 1 Presentation of Financial Statements	1 January 2010
– Amendments to SFRS 7 Statement of Cash Flows	1 January 2010
– Amendments to SFRS 17 Leases	1 January 2010
– Amendments to SFRS 36 Impairment of Assets	1 January 2010
– SFRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to SFRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
– Amendments to SFRS 108 Operating Segments	1 January 2010

Except for the revised SFRS 103 and the amendments to SFRS 27, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

4. OPERATING SEGMENT INFORMATION

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

- Manufacturing and sale of urea
- Manufacturing and sale of compound fertiliser
- Manufacturing and sale of methanol

An analysis by principal activity of contribution to the results is as follows:

For the year ended 31 December 2009	**Urea**	**Compound Fertiliser**	**Methanol**	**Others**	**Elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
REVENUE						
Sales to external customers	1,706,662	438,158	175,854	8,933	–	2,329,607
Intersegment sales	130,456	–	–	6,382	(136,838)	–
Total revenue	1,837,118	438,158	175,854	15,315	(136,838)	2,329,607
Segment profit/(loss)	336,231	9,689	(26,812)	(3,713)		315,395
Unallocated expenses, net						(128,692)
Financial expenses, net						(35,194)
Profit before tax						151,509
Income tax expenses						(32,285)
Net profit attributable to the equity holders of the parent						119,224

For the year ended 31 December 2008	Urea	Compound Fertiliser	Methanol	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	1,155,540	708,268	214,836	6,299	–	2,084,943
Intersegment sales	152,297	–	–	4,162	(156,459)	–
Total revenue	1,307,837	708,268	214,836	10,461	(156,459)	2,084,943
Segment profit/(loss)	269,261	173,762	42,401	(3,554)		481,870
Unallocated expenses, net						(108,183)
Financial expenses, net						(23,919)
Profit before tax						349,768
Income tax expenses						(18,094)
Net profit attributable to the equity holders of the parent						331,674

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts and the value of services rendered. An analysis of the Group's revenue, other income and gains is as follows:

	2009	2008
	RMB'000	*RMB'000*
REVENUE		
Sale of goods	**2,329,607**	2,084,943
OTHER INCOME AND GAINS		
Bank interest income	**1,328**	2,872
Sale of by-products	**2,378**	5,564
Service fee income from related parties	**77**	82
Amortisation of deferred grants	**1,545**	–
Net fair value gain on derivative financial assets	**–**	1,763
Subsidy income	**4,245**	1,355
Others	**2,088**	2,028
	11,661	13,664

6. FINANCE COSTS

The Group's finance costs are analysed as follows:

	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**41,079**	26,387
Interest on government loans	**443**	404
	41,522	26,791
Less: interest capitalised	**(5,000)**	–
	36,522	26,791

7. PROFIT BEFORE TAX

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**2,014,212**	1,597,073
Provision of inventories	**–**	6,000
	2,014,212	1,603,073
Depreciation	**124,536**	78,465
Amortisation of prepaid land lease payments	**1,436**	1,388
Minimum lease payments under operating leases:		
Land	**1,948**	1,248
Buildings	**1,238**	597
	3,186	1,845
Auditors' remuneration	**1,057**	1,276
Employee benefit expenses:		
Salaries and bonuses	**75,882**	74,827
Contribution to defined contribution plans	**14,252**	8,309
Welfare expenses	**4,370**	2,549
	94,504	85,685
Less: Write-back of accrued welfare expenses	**–**	(6,595)
	94,504	79,090
Reversal of impairment of trade receivables	**–**	(83)
Write-off of trade receivables	**–**	75
Realised exchange loss	**–**	1,667
Unrealised exchange loss	**562**	1,436
Loss on disposal of property, plant and equipment	**712**	1,648
Write-off of property, plant and equipment	**–**	694
Fair value loss on derivative financial assets	**8,760**	–

8. INCOME TAX EXPENSE

The Company is incorporated in Singapore and is subject to income tax rate of 18% for the year ended 31 December 2009 (2008: 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 the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises", Henan XLX Fertiliser 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.

Henan XLX Fertiliser had elected the financial year ended 31 December 2007 as the first profitable year for the purpose of determining the tax holiday period. Accordingly, Henan XLX Fertiliser was exempted from income tax during the years ended 31 December 2007 and 2008. For the year ended 31 December 2009, Henan XLX Fertiliser was in its third profitable year and hence became subject to a concessionary rate of 12.5%.

	2009	2008
	RMB'000	*RMB'000*
Current – Singapore		
Charge for the year	**102**	–
Overprovision in prior year	**–**	(523)
Current – PRC		
Charge for the year	**23,968**	–
Deferred tax	**8,215**	18,617
Total income tax expense	**32,285**	18,094

9. DIVIDEND

	2009	2008
	RMB'000	*RMB'000*
Proposed final dividend – SGD0.6 cent (2008: SGD1.6 cents) per ordinary share	**29,222**	75,927

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

The difference between the proposed and declared final 2008 dividend of RMB247,000 represented the exchange difference arising from the appreciation of RMB against Singapore dollar which was realised upon payment and was transferred to the retained profits as at 31 December 2009.

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

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders for the year by the weighted average number of 1,000,000,000 (2008: 1,000,000,000) ordinary shares outstanding during the year.

There were no potential dilutive ordinary shares in existence during the two years ended 31 December 2008 and 2009 and therefore diluted earnings per share are the same as basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

The Group's capital expenditure in respect of property, plant and equipment and prepaid land lease payments in 2009 amounted to approximately RMB489.6 million. The capital expenditure primarily consisted of the following:

	2009
	RMB'million
Upgrade of production facilities in Production Plant I and Production Plant II *(note 1)*	**123**
Construction of Production Plant III *(note 2)*	**220**
Railway project *(note 3)*	**58**
Land use right *(note 4)*	**27**
Others	**62**
Total	**490**

Notes:

1. The Group has acquired the land use rights, buildings, vehicles and equipment for the production plant I ("**Production Plant I**") and production plant II ("**Production Plant II**") in August 2007, where the Production Plant I is the first production base of the Group and owns a production facility with designed annual capacity of approximately 323,000 tons of urea, 300,000 tons of compound fertiliser and 40,800 tons of methanol located at Xinxiang Economic and Technology Development Zone, Xiaoji Town, Henan Province, the PRC, and Production Plant II is the second base of the Group and owns a production facility with the designed annual capacity of approximately 408,000 tons of urea, 300,000 tons of compound fertiliser and 64,600 tons of methanol located at Xinxiang Economic and Technology Development Zone, Qing Long Road East Section, Henan Province, the PRC. The Group commenced construction of a new compound fertiliser production line in Production Plant II in February 2009 which was completed in August 2009.

2. The construction of production plant 3 ("**Production Plant III**") was completed in April 2009. Production Plant III is an extension of Production Plant II, which owns a production facility with the designed annual capacity of approximately 527,000 tons of urea and 95,200 tons of methanol, located at Xinxiang Economic and Technology Development Zone, Qing Long Road East Section, Henan Province, the PRC.

3. The construction of a railway extension from Xinxiang East Railway Station to Production Plant II is for the Group to load and unload its products and raw materials directly at the production plants and to eliminate the need for arranging for land transportation to and from the railway station.

4. In May 2009, the Group had obtained the title certificates of the land use rights for the production plants for Production Plant I and Production Plant II.

12. TRADE AND BILLS RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**890**	7,989
Impairment	**(322)**	(322)
	568	7,667
Bills receivable	**40,708**	18,580

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 the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**513**	6,641
1 to 3 months	**54**	1,014
3 to 6 months	**–**	9
6 to 12 months	**1**	3
	568	7,667

13. 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:

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**13,197**	37,960
1 to 3 months	**26,198**	3,669
3 to 6 months	**5,529**	2,149
6 to 12 months	**607**	910
Over 12 months	**1,904**	3,072
	47,435	47,760

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

14. BILLS PAYABLE

The Group's bills payable have an average maturity period of 90 to 180 days and are interest-free. As at 31 December 2009, bills payable were secured by time deposits of RMB21,173,000 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Revenue

Revenue for the year ended 31 December 2009 increased by approximately RMB244.7 million or approximately 11.7% from approximately RMB2,084.9 million for the year ended 31 December 2008 to approximately RMB2,329.6 million for the year ended 31 December 2009. The increase was mainly due to the increase in sales quantity of urea led by the commencement of the Production Plant III which increased the urea aggregate capacity from approximately 720,000 tons to approximately 1,250,000 tons. The increase in revenue was partially offset by the decrease in revenue for the sales of methanol and compound fertiliser. The Group had reduced the sales mix of methanol in 2009 as it was loss-making. Revenue from compound fertiliser declined due to the decision to sell more urea than compound fertiliser in 2009 due to a reduction in the average selling price of compound fertiliser by approximately 32.8%.

Urea

Revenue derived from the sales of urea increased by approximately RMB551.2 million or approximately 47.7% from approximately RMB1,155.5 million for the year ended 31 December 2008 to RMB1,706.7 million for the year ended 31 December 2009. Such increase was mainly due to the increase in production capacity of urea to approximately 1,250,000 tons upon the commencement of operation of Production Plant III in April 2009 and hence the Group sold more urea in 2009.

Compound fertiliser

Revenue derived from the sales of compound fertiliser decreased by approximately RMB270.1 million or approximately 38.1% from approximately RMB708.3 million for the year ended 31 December 2008 to RMB438.2 million for the year ended 31 December 2009. Such decrease was primarily resulted from the decrease in sales volume and the average selling price of the compound fertiliser in 2009.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB38.9 million or approximately 18.1% from approximately RMB214.8 million for the year ended 31 December 2008 to RMB175.9 million for the year ended 31 December 2009. Such decrease was mainly due to the decrease in average selling price of the methanol in the PRC market in 2009.

Profitability

Overall gross profit margin declined from approximately 23.1% for the year ended 31 December 2008 to approximately 13.5% for the year ended 31 December 2009 due to the decrease in gross profit margins of urea, methanol and compound fertiliser.

Urea

Gross profit margin for urea decreased from approximately 23.3% for the year ended 31 December 2008 to approximately 19.7% for the year ended 31 December 2009. This was primarily due to decrease in average selling price of urea in 2009 by about approximately 6.6% led by the domestic oversupply condition. The gross margin for urea was also affected by the ramp up cost of the Production Plant III which commenced trial production in mid April 2009.

Compound fertiliser

Gross profit margin for compound fertiliser declined from approximately 24.5% for the year ended 31 December 2008 to approximately 2.2% for the year ended 31 December 2009. This was mainly due to decline in average selling prices of compound fertiliser while our costs remained high due to consumption of high cost inventories purchased previously.

Methanol

Gross profit margin for methanol declined significantly from approximately 19.7% for the year ended 31 December 2008 to negative approximately 15.2% for the year ended 31 December 2009. This was due to lower domestic average selling prices led by lower oil prices, weaker demand in DME, construction, automotive and other methanol's downstream industries.

Other Income and gains

Other income and gains decreased by approximately RMB2.0 million or approximately 17.1% from approximately RMB13.7 million for the year ended 31 December 2008 to approximately RMB11.7 million for the year ended 31 December 2009. Such decrease was primarily due to the decrease in bank interest income and sale of by-products in 2009.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB3.8 million or approximately 18.4% from approximately RMB20.7 million for the year ended 31 December 2008 to approximately RMB16.9 million for the year ended 31 December 2009. Such decrease was mainly due to the decrease in transportation costs from decreased sales of compound fertiliser and hiring of lesser staff in 2009.

General and administration expenses

General and administration expenses increased by approximately RMB19.2 million or approximately 21.0% from approximately RMB91.3 million for the year ended 31 December 2008 to approximately RMB110.5 million for the year ended 31 December 2009. Such increase was mainly due to the expenses for dual primary listing application in Hong Kong, increase in advertising expenses and fees for valuation of land in 2009.

Finance costs

Finance costs increased by approximately RMB63.3 million or approximately 32.5% from approximately RMB91.3 million for the year ended 31 December 2008 to approximately RMB110.5 million for the year ended 31 December 2009, which was mainly due to the increase in interest on the bank loans.

Taxation

Tax expenses increased by approximately RMB14.2 million or by approximately 78.5% from approximately RMB18.9 million for the year ended 31 December 2008 to approximately RMB32.3 million for the year ended 31 December 2009, which was because Henan XLX Fertiliser was only entitled to a 50% reduction in income tax in 2009 and the Group was subject to a higher effective tax rate of 19% in 2009, while the Group was subject to an effective tax rate of 5% in 2008 as Henan XLX Fertiliser enjoyed full exemption of income tax in 2008.

Net profit attributable to equity holders of the parent

The net profit attributable to equity holders of the parent decreased by approximately RMB212.5 million or approximately 64.1% from approximately RMB331.7 million for the year ended 31 December 2008 to approximately RMB119.2 million for the year ended 31 December 2009.

(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%.

	2009	2008
	RMB'000	*RMB'000*
Due to related companies	**1,517**	1,676
Trade payables	**47,435**	47,760
Bills payable	**41,346**	–
Accruals and other payables	**364,535**	285,011
Interest-bearing bank and other borrowings	**945,152**	667,974
Less: Cash and cash equivalents	**(139,796)**	(200,114)
Less: Pledged deposits	**(21,173)**	–
Net debt	**1,239,016**	802,307
Shareholders' equity	**1,474,643**	1,450,906
Less: Statutory reserve fund	**(94,200)**	(77,770)
Less: Hedging reserve	**–**	(19,807)
Total capital	**1,380,433**	1,353,329
Capital and net debt	**2,619,459**	2,155,636
Gearing ratio	**47.3%**	37.2%

The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the hedging reserve and the above-mentioned restricted statutory reserve fund.

Loans

Amount payable in one year or less, or on demand

	As at 31 December 2009		As at 31 December 2008	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Bank loans	**–**	**110,000**	–	145,000

Amounts payable after one year

	As at 31 December 2009		As at 31 December 2008	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Bank loans	**120,000**	**705,000**	–	422,557
Loan from related party	**–**	**–**	–	90,000
Loan from government	**–**	**10,152**	–	10,417
	120,000	**715,152**	–	522,974

Details of collateral

As at 31 December 2009, the Group has total of RMB120.0 million long-term loans which are guaranteed by Xinxiang Xinya Paper Group Ltd.

(III) PROSPECTS

The Directors are more optimistic about the prospects for 2010 as compared to 2009. This is partly because certain one-off costs incurred for the year ended 31 December 2009 are not expected to be incurred in 2010. The costs include the Company's expenses incurred for the listing on the SEHK of approximately RMB20 million, the ramp up cost of approximately RMB12 million in the Group's third plant and the high cost inventories brought over from 2008 which affected the compound fertiliser margin for the year ended 31 December 2009.

Methanol made losses for the year ended 31 December 2009 due to decline in average selling prices led by weak demand in downstream products. The Group, however, expects better outlook for methanol as it is expected that possible economic recovery would boost demand in the construction industry which is one of the main users of methanol. The legalizing of methanol used as a fuel additive should also boost demand of the Group's products.

Domestic oversupply of urea might continue to persist throughout 2010. But the Group noted the PRC government's efforts to support the agriculture sector by pledging to increase subsidies to farmers in 2010.

The Group noted that the PRC government had reiterated its intention several times that it will increase natural gas prices in the PRC. The Group also expects this would help to provide support for urea prices because many fertiliser producers expect that this will increase the costs of the gas-based urea producers as the gas-based urea producers currently enjoy substantial subsidies in their natural gas price. This will not affect the Group's costs as the Group are coal-based.

While the Group's profitability will continue to be affected by any industry risks, the Group has so far proven itself as one of the cost-leaders amongst all coal-based producers in the PRC and being able to maintain its high utilization rates.

(IV) SUPPLEMENTARY INFORMATION

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

For the year ended 31 December 2009, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRS, International Accounting Standards and Interpretations).

2. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

The major market interest rate risk that the Group is exposed to 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. As at 31 December 2009, the Group had repaid all of its United States dollars loans and was free of the foreign exchange risk resulting from the United States dollars against RMB.

(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 decreased by 0.7% in 2009 as compared to the same period in 2008. Such inflation in the PRC did not have a significant effect on the Group's operating results.

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group 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 31 December 2009, approximately RMB110.0 million (2008: RMB145.0 million), or 11.6% (2008: 21.7%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings reflected in the financial statements.

(vii) Gearing Risk

The Group monitors its capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital in 2008 and 2009. The gearing ratio of the Group as at 31 December 2009 (calculated as net debt divided by total capitalisation plus net debt) was 47.3%, representing an increase of 10.1% as compared to 31 December 2008. As at 31 December 2009, the Group had no pledge of assets.

3. Contingent Liabilities

As at 31 December 2009, the Group has no material contingent liabilities (2008: Nil).

4. Material litigation and arbitration

As at 31 December 2009, 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 annual results for the year ended 31 December 2009 have been reviewed by the Audit Committee.

6. 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 Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") from the date of its listing on the SEHK to 31 December 2009.

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 of the Listing Rules and its amendments from time to time 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 year ended 31 December 2009, all Directors have complied with the required standards of the Model Code.

8. Closure of Register of Members

An annual general meeting of the Company will be held on 27 April 2010. The register of members will be closed from 11 May 2010 to 12 May 2010 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 11 May 2010.

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

For the year ended 31 December 2009, neither the Company nor its subsidiary has purchased, sold or redeemed any of the securities of the Company.

10. Employees and remuneration policy

As at 31 December 2009, there were 3,302 (2008: 3,099) 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 Website of the SEHK

This announcement shall be published on the website of the SEHK (http://www.hkex.com.hk) and on the website of the Company (http://www.chinaxlx.com.sg) in due course.

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

Singapore, 23 February 2010

As at the date of announcement, the executive Directors of the Company are Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen; and the independent non-executive Directors are Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin.

* *for identification purpose only*