Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Board of Directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2015 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

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

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

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 were dually primary-listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited (the "**SEHK**"). On 12 August 2014, the Company's shares were delisted from the Official List of the Mainboard of SGX-ST. The Company's shares are listed only on the SEHK since then. The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore, 068898. The principal place of business of the Group is located at Xinxiang High Technology Development Zone (Xiaoji Town), Henan Province, the People's Republic of China (the "**PRC**"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are mainly manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution, coal mining and sales of coal.

2. BASIS OF PREPARATION

The Group had consolidated net current liabilities of approximately RMB984 million as at 31 December 2015. After taking into account the available unutilised banking facilities, the directors of the Company consider that the Group will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of IFRSs. Details of the amendments that are applicable to the Group are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(b) *(Continued)*

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

4. OPERATING SEGMENT INFORMATION

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

– Manufacturing and sale of urea

– Manufacturing and sale of compound fertiliser

– Manufacturing and sale of methanol

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

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

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

4. **OPERATING SEGMENT INFORMATION** *(Continued)*

For the year ended 31 December 2014	Urea	Compound fertiliser	Methanol	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue						
Sales to external customers	3,005,077	1,245,740	672,404	158,527	–	5,081,748
Intersegment sales	118,441	27,376	1,579	178,389	(325,785)	–
Total revenue	3,123,518	1,273,116	673,983	336,916	(325,785)	5,081,748
Segment profit	497,417	195,157	168,067	38,123	–	898,764
Interest income						14,657
Unallocated other income and gains						41,615
Unallocated expenses						(451,711)
Finance costs						(218,020)
Profit before tax						285,305
Income tax expense						(48,579)
Profit for the year						236,726
Other segment information:						
Loss on disposal of items of property, plant and equipment						3,311
Depreciation of items of property, plant and equipment						324,363
Amortisation of prepaid land lease payments						4,434
Amortisation of coal mining rights						1,638
Capital expenditure						2,502,380

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

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

	2015	2014
	RMB'000	*RMB'000*
REVENUE		
Sale of goods	**5,788,181**	5,081,748
OTHER INCOME AND GAINS		
Bank interest income	**25,619**	14,657
Net profit from sale of by-products	**19,968**	25,770
Amortisation of deferred grants	**4,605**	3,673
Subsidy income	**18,565**	5,055
Compensation income	**9,774**	6,801
Rental income	**1,932**	–
Others	**236**	316
Total other income	**80,699**	56,272

6. FINANCE COSTS

The Group's finance costs are analysed as follows:

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

7. PROFIT BEFORE TAX

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

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

8. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% (2014: 17%) for the year.

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

8. **INCOME TAX** *(Continued)*

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

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

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

9. **DIVIDEND**

	2015	2014
	RMB'000	*RMB'000*
Proposed final dividend – RMB8.30 cents (2014: RMB6.00 cents) per ordinary share	**83,000**	60,000

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

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

The calculation of basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) of 1,176,000,000 (2014: 1,176,000,000) in issue, as adjusted to reflect the convertible bonds issued in 2011.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

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

	2015	2014
	Number of shares	*Number of shares*
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) for the purpose of calculating basic and diluted earnings per share	**1,176,000,000**	1,176,000,000

11. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND PREPAYMENTS

The Group's capital expenditure in respect of property, plant and equipment and prepaid land lease payments for the year ended 31 December 2015 amounted to approximately RMB1,366 million. The capital expenditure primarily consisted of the following:

	2015	2014
	RMB' million	*RMB' million*
Upgrades of existing production facilities *(note 1)*	**133**	209
Expansion of Xinjiang Xinlianxin Energy Chemical Co., Ltd *(note 2)*	**818**	1,084
Construction of Production Plant IV *(note 3)*	**144**	288
Land use rights and buildings	**271**	49
Total	**1,366**	1,630

11. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND PREPAYMENTS *(Continued)*

Notes:

1. Existing production facilities include Production Plants I, II and III, and the Group's compound fertiliser production plants.

2. Xinjiang Xinlianxin Energy Chemical Co., Ltd ("**Xinjiang XLX**") is a wholly-owned subsidiary of Henan Xinlianxin Fertiliser Co., Ltd. (河南心連心化肥有限公司), which in turn is a wholly-owned subsidiary of the Company. Xinjiang XLX is principally engaged in the manufacturing, sales and trading of urea, compound fertiliser, melamine, liquid ammonia and ammonia solution in Xinjiang Province, the PRC. 瑪納斯天利煤業有限責任公司 ("**Tianli**") and 瑪納斯天欣煤業有限責任公司 ("**Tianxin**") are wholly-owned subsidiaries of Xinjiang XLX and are principally engaged in coal mining and sales of coal.

3. The construction of production plant IV ("**Production Plant IV**") was completed in December 2013. Production Plant IV is an extension of Production Plants II and III and will have a designed annual capacity of approximately 800,000 tons of urea.

12. TRADE AND BILLS RECEIVABLES

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

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

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

12. TRADE AND BILLS RECEIVABLES *(Continued)*

An ageing 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:

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

13. TRADE PAYABLES

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

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

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

14. BILLS PAYABLE

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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Revenue

Revenue for the financial year ended 31 December 2015 ("**FY2015**") increased by approximately RMB706 million or approximately 13.9% from approximately RMB5,082 million in the financial year ended 31 December 2014 ("**FY2014**") to approximately RMB5,788 million. The increase of revenue was mainly due to the increase in sales volume of urea and compound fertiliser.

Urea

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

Methanol

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

Compound fertiliser

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

(I) BUSINESS REVIEW *(Continued)*

Profitability

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

Urea

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

Methanol

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

Compound fertiliser

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

Other income and gains

Other income and gains increased by approximately RMB25 million from approximately RMB56 million in FY2014 to approximately RMB81 million in FY2015. The increase was mainly due to the increase of subsidy income, bank interest income and compensation income by approximately RMB14 million, RMB11 million and RMB3 million respectively in FY2015. The increase was partially offset by the decrease in net profit from sale of by-products and waste products by approximately RMB5 million.

(I) BUSINESS REVIEW *(Continued)*

Selling and distribution expenses

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

General and administrative expenses

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

Other expenses

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

(I) BUSINESS REVIEW *(Continued)*

Finance costs

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

Income tax expense

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

Profit attributable to owners of the parent

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

(II) FINANCIAL REVIEW

Gearing

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

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

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

(II) FINANCIAL REVIEW *(Continued)*

Loans

Amounts payable in one year or less, or on demand

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

Amounts payable after one year

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

Details of collateral

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

(III) PROSPECTS

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

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

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

(IV) PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB8.30 cents per ordinary share for the year ended 31 December 2015 (the "**Proposed Final Dividend**") (2014: RMB6.00 cents per share), subject to the shareholders' approval at the forthcoming annual general meeting of the Company. The Company will further announce details of the Proposed Final Dividend, the annual general meeting and the period of closure of the Company's register of members for determining the entitlement to the Proposed Final Dividend in due course.

(V) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by approximately 1.4% in the year ended 31 December 2015 as compared with an increase of approximately 2.0% in 2014. Such inflation in the PRC did not have a significant effect on the Group's operating results.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group regularly reviews the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 31 December 2015, approximately RMB890 million (31 December 2014: RMB429 million), or approximately 16.9% (31 December 2014: 10.7%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings reflected in the financial statements.

(vii) Gearing Risk

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

2. Contingent Liabilities

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

3. Material Litigation and Arbitration

As at 31 December 2015, the Group was not involved in any litigation or arbitration.

4. Scope of Work of Ernst & Young

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Accounting Standards Board and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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 results for the year ended 31 December 2015 have been reviewed by the Audit Committee.

6. Compliance with the Corporate Governance Code

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 year ended 31 December 2015, except for code provision A.2.1.

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**") has been the Chairman of the Board and Chief Executive Officer since the incorporation of the Company. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered and the business opportunities would be grasped by the Group efficiently and promptly. The Board believes Mr. Liu, who is in charge of the Group's overall strategic directions and manages the day-to-day business operations, has extensive experience in the industry and played a vital role in developing the business of the Group, which provided the Group with strong leadership and vision. Mr. Liu also ensures timeliness of information flow between the Board and management.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

6. Compliance with the Corporate Governance Code *(Continued)*

Major decisions made by Mr. Liu as the Chairman of the Board and Chief Executive Officer are reviewed by the Board. His performance and re-appointment is reviewed by the Company's Nomination Committee and his remuneration package is reviewed by the Company's Remuneration Committee.

In addition, the Board is of the view that the balanced composition of executive directors and non-executive directors (including independent non-executive directors) on the Board and the existence of the Audit Committee, Nomination Committee and Remuneration Committee (comprising all or a majority of independent non-executive directors of the Company) in overseeing different aspects of the Company's affairs, are adequate safeguards in place to ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the directors of the Company. The Board confirms that, having made specific enquiries with all directors of the Company, all directors have complied with the required standards of the Model Code during the year ended 31 December 2015.

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

For the year ended 31 December 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the securities of the Company.

9. Employees and Remuneration Policy

As at 31 December 2015, there were 6,665 (2014: 5,588) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

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

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

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

11 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Zhang Qingjin; the non-executive director of the Company is Mr. Lian Jie; and the independent non-executive directors of the Company are Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin.

* *for identification purpose only*