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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") announces its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**3,574,408**	2,893,912
Cost of sales		**(2,891,727)**	(2,346,864)
Gross profit		**682,681**	547,048
Other income, net	*4*	**21,531**	38,947
Selling and distribution expenses		**(160,839)**	(198,506)
General and administrative expenses		**(179,151)**	(149,927)
Finance costs	*5*	**(142,595)**	(143,628)
PROFIT BEFORE TAX	*6*	**221,627**	93,934
Income tax expense	*7*	**(35,042)**	(12,450)
PROFIT FOR THE PERIOD		**186,585**	81,484
OTHER COMPREHENSIVE INCOME			
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**186,585**	81,484
Profit attributable to:			
Owners of the parent		**173,752**	81,484
Non-controlling interest		**12,833**	–
		186,585	81,484
Total comprehensive income attributable to:			
Owners of the parent		**173,752**	81,484
Non-controlling interest		**12,833**	–
		186,585	81,484
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	*9*	**14.77**	6.93

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	**30 June 2017 (Unaudited)** ***RMB'000***	31 December 2016 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**8,257,396**	8,201,521
Prepaid land lease payments	*10*	**391,383**	374,414
Goodwill		**25,361**	25,361
Coal mining rights	*10*	**92,337**	95,099
Available-for-sale investment	*12*	**6,708**	6,708
Deferred tax assets		**23,629**	23,801
Prepayments for purchases of items of plant and equipment	*11*	**206,053**	126,416
Total non-current assets		**9,002,867**	8,853,320
CURRENT ASSETS			
Available-for-sale investment		**4,185**	4,185
Due from a related company		**4,375**	9,146
Inventories	*13*	**487,953**	449,505
Trade and bills receivables	*14*	**167,317**	75,117
Prepayments	*11*	**355,629**	355,913
Deposits and other receivables		**418,502**	432,578
Income tax recoverable		**–**	1,076
Pledged time deposits	*15*	**302,308**	226,349
Cash and cash equivalents	*15*	**605,766**	512,806
Total current assets		**2,346,035**	2,066,675
CURRENT LIABILITIES			
Due to related companies		**841**	4,391
Trade payables	*16*	**290,165**	185,577
Bills payable		**730,010**	655,020
Accruals and other payables		**832,613**	1,195,987
Income tax payable		**25,412**	191
Deferred grants		**6,474**	5,979
Short-term bond payable		**–**	200,000
Non-controlling shareholder borrowings		**24,750**	24,750
Interest-bearing bank and other borrowings	*17*	**1,156,923**	756,156
Total current liabilities		**3,067,188**	3,028,051
NET CURRENT LIABILITIES		**(721,153)**	(961,376)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,281,714**	7,891,944

	Notes	**30 June 2017 (Unaudited)** ***RMB'000***	31 December 2016 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Non-controlling shareholder borrowings		**75,250**	75,250
Interest-bearing bank and other borrowings	*17*	**3,831,952**	3,601,386
Deferred grants		**57,707**	48,804
Deferred tax liabilities		**56,791**	56,791
Other payables		**230,468**	226,752
Long-term bond payable		**600,000**	600,000
Total non-current liabilities		**4,852,168**	4,608,983
NET ASSETS		**3,429,546**	3,282,961
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**881,124**	881,124
Statutory reserve fund		**373,492**	285,412
Convertible bonds		**325,671**	322,436
Fair value reserve		**505**	505
Retained profits		**1,574,001**	1,546,310
		3,154,793	3,035,787
Non-controlling interest		**274,753**	247,174
Total equity		**3,429,546**	3,282,961

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Group

	Issued capital *RMB'000*	Convertible bonds *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Statutory reserve fund *RMB'000*	Retained profits *RMB'000*	Non-controlling Interest *RMB'000*	Total Equity *RMB'000*
(Unaudited)							
As at 1 January 2017	**881,124**	**322,436**	**505**	**285,412**	**1,546,310**	**247,174**	**3,282,961**
Profit for the period	–	–	–	**88,080**	**85,672**	**12,833**	**186,585**
Other comprehensive income for the period:							
Disposal of partial interest in a subsidiary without loss of control	–	–	–	–	**(14,746)**	**14,746**	–
Change in fair value of an available-for-sale investment	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	**88,080**	**70,926**	**27,579**	**186,585**
Acquisition of non-controlling interest	–	–	–	–	–	–	–
2016 final dividend declared	–	–	–	–	**(40,000)**	–	**(40,000)**
Interests on convertible bonds	–	**3,235**	–	–	**(3,235)**	–	–
As at 30 June 2017	**881,124**	**325,671**	**505**	**373,492**	**1,574,001**	**274,753**	**3,429,546**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Profit before tax		**221,627**	93,934
Adjustment for:			
Amortisation of prepaid land lease payment	*6*	**4,784**	3,704
Amortisation of coal mining rights	*6*	**1,874**	1,874
Depreciation of property, plant and equipment	*6*	**280,280**	256,194
Loss on disposal of items of property, plant and equipment	*4, 6*	**1,967**	825
Amortisation of deferred grants	*4*	**(101)**	(21,428)
Interest income	*4*	**(4,105)**	(8,926)
Finance cost	*5*	**142,595**	143,628
		648,921	469,805
(Increase)/decrease in inventories		**(38,448)**	63,924
Increase in trade and bills receivables		**(92,200)**	(46,223)
(Increase)/decrease in prepayments		**(28,267)**	106,644
(Increase)/decrease in other receivables and deposits		**39,830**	(31,440)
(Increase)/decrease in due from a related company		**4,800**	(2,245)
Increase/(decrease) in trade and bills payables		**179,578**	(232,333)
Decrease in other payables and accruals		**(250,415)**	(98,846)
Increase/(decrease) in amounts due to related companies		**(3,580)**	–
Cash generated from operations		**460,219**	229,286
Interest received		**4,105**	8,926
Interest paid		**(142,595)**	(154,760)
Income taxes paid		**(35,042)**	(13,472)
Government grants received		**–**	13,928
Net cash generated from operating activities		**286,687**	83,908

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cash flows from investing activities		
Purchases of items of property, plant and equipment, and land use rights	**(504,220)**	(454,142)
Proceeds from disposal of items of property, plant and equipment	**–**	2,505
(Increase)/decrease in bank pledged time deposits	**(75,959)**	205,526
Net cash flows used in investing activities	**(580,179)**	(246,111)
Cash flows from financing activities		
Proceeds from loans and borrowings	**1,232,105**	1,516,703
Repayment of loans and borrowings	**(805,653)**	(1,170,409)
Dividends paid	**(40,000)**	(83,000)
Net cash generated from financing activities	**386,452**	263,294
Net increase in cash and cash equivalents	**92,960**	101,091
Cash and cash equivalents at beginning of period	**512,806**	581,355
Cash and cash equivalents at end of period	**605,766**	682,446

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2017

1. CORPORATE INFORMATION

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

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

The condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 14	*Regulatory Deferral Accounts*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements *Cycle 2012-2014*	Amendments to a number of IFRSs
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

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

   (i) the materiality requirements in IAS 1;

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

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

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

   Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) Annual Improvements to *IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

   - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

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

(i) Urea

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

(ii) Compound fertiliser

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

(iii) Methanol

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

(iv) Melamine

Melamine is a white monoclinic crystal that is slightly soluble in water and cannot be used for food processing or as food additives. By condensation and polymerization with formaldehyde, melamine can be produced into melamine resin, which can be used in the manufacture of wooden building formwork in the plastics and coatings industry or as an agent for anti-folding and anti-shrinkage of textile fabrics.

3. OPERATING SEGMENT INFORMATION *(Continued)*

In addition to the four main operating segments, the Group is also involved in the production of liquid ammonia and ammonia solution. In addition, the Group had acquired a subsidiary that is engaged in coal mining and the sale of coal in November 2011. However, in the opinion of the directors, there were only limited operations in this subsidiary after the acquisition by the Group and the assets and liabilities were not material for the purpose of segment reporting. As such, a separate operating segment for the coal mining business carried out by that subsidiary has not been presented.

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

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

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

Allocation basis

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

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

For the six months ended 30 June 2017

	Urea (Unaudited) *RMB'000*	Compound fertiliser (Unaudited) *RMB'000*	Methanol (Unaudited) *RMB'000*	Melamine (Unaudited) *RMB'000*	Others (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
REVENUE						
Sales to external customers	**1,391,823**	**1,142,530**	**376,394**	**185,152**	**478,509**	**3,574,408**
Intersegment sales	**–**	**–**	**–**	**–**	**–**	**–**
Total revenue	**1,391,823**	**1,142,530**	**376,394**	**185,152**	**478,509**	**3,574,408**
Segment profit	**247,653**	**175,967**	**78,284**	**94,099**	**86,678**	**682,681**
Interest income						**4,105**
Unallocated other income						**17,426**
Unallocated expenses						**(339,990)**
Finance costs						**(142,595)**
Profit before tax						**221,627**
Income tax expense						**(35,042)**
Profit for the period						**186,585**

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

Allocation basis *(Continued)*

For the six months ended 30 June 2016

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

4. **REVENUE AND OTHER INCOME/(EXPENSES), NET**

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.

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**3,574,408**	2,893,912

4. **REVENUE AND OTHER INCOME/(EXPENSES), NET** *(Continued)*

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**4,105**	8,926
Net profit from sales of by-products	**15,886**	5,250
Service fee income from related parties	**707**	790
Penalty income	**-**	862
Subsidy income	**1,400**	23,589
Others	**1,594**	1,085
	23,692	40,502
Other expenses		
Loss on disposal of items of property, plant and equipment	**(1,967)**	(825)
Others	**(194)**	(730)
	(2,161)	(1,555)
Other income, net	**21,531**	38,947

5. **FINANCE COSTS**

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**142,595**	150,833
Less: interest capitalised	**–**	(7,205)
	142,595	143,628

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**2,891,727**	2,346,864
Depreciation of property, plant and equipment	**280,280**	256,194
Amortisation of prepaid land lease payments	**4,784**	3,704
Amortisation of coal mining rights	**1,874**	1,874
Minimum lease payments under operating leases:		
Land	**199**	199
Buildings	**1,120**	1,120
	1,319	1,319
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	**252,942**	245,983
Contributions to defined contribution plans	**30,078**	30,962
Welfare expenses	**13,315**	15,488
	296,335	292,433
Auditors' remuneration	**1,000**	874
Impairment loss on an available-for-sale investment	**–**	–
Loss on disposal of items of property, plant and equipment	**1,967**	825

7. INCOME TAX EXPENSE

The Company is incorporated in Singapore and is subject to an income tax rate of 20% for the six months ended 30 June 2017 (six months ended 30 June 2016: 20%).

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

The Company's subsidiaries in Mainland China are subject to an income tax rate of 25% (2016: 25%). For the six months ended 30 June 2017, one of the subsidiaries was subject to a concessionary tax rate of 15% as it obtained the New/High Technology Enterprise Award.

The major components of income tax expense for the six months ended 30 June 2017 and 2016 are:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**35,042**	12,450
Deferred	**–**	–
Total tax charge for the period	**35,042**	12,450

8. DIVIDEND

Final dividend of RMB40,000,000 (year ended 31 December 2015: RMB83,000,000) for the year ended 31 December 2016 was declared during the six months ended 30 June 2017.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share is calculated by dividing the Group's profit for the period attributable to ordinary equity holders of the Company by the weighted average number of 1,176,000,000 (six months ended 30 June 2016: 1,176,000,000) ordinary shares (inclusive of shares that may be issued under the convertible instruments issued by the Company in 2011) outstanding during the period.

There were no potentially dilutive ordinary shares in existence during the six months ended 30 June 2017 and 2016 and therefore the diluted earnings per share amounts for those periods were the same as the basic earnings per share amounts.

10. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND COAL MINING RIGHTS

During the period, payments for purchases of items of property, plant and equipment, land use rights and coal mining rights and proceeds from disposal of items of property, plant and equipment of the Group amounted to approximately RMB504,220,000 and RMB1,967,000 (six months ended 30 June 2016: RMB454,142,000 and RMB2,505,000), respectively.

11. PREPAYMENTS

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of items of property, plant and equipment	**206,053**	126,416
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**351,786**	341,572
Current portion of prepaid land lease payments	**3,843**	8,610
Other prepayments	**–**	5,731
	355,629	355,913

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	RMB'000	*RMB'000*
NON-CURRENT		
Unlisted equity investment, at cost:		
PRC	**6,708**	6,708
CURRENT		
Listed equity investment, at fair value:		
Singapore	**4,185**	4,185

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

There was no change of fair value in respect of the available-for-sale investments for the six months period ended 30 June 2017 (six months ended 30 June 2016: Nil) and arose from the equity investment included in current asset. The market value of the listed equity investment at the date of approval of these financial statements was approximately RMB4,185,000.

13. INVENTORIES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	RMB'000	*RMB'000*
Raw materials	**263,421**	181,210
Parts and spares	**2,667**	60,020
Work-in-progress	**–**	11,973
Finished goods	**221,865**	196,302
	487,953	449,505

14. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	RMB'000	*RMB'000*
Trade receivables	**153,149**	73,514
Bills receivable	**14,168**	1,603
	167,317	75,117

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

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

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

	30 June 2017 (Unaudited)	31 December 2016 (Audited)
	RMB'000	*RMB'000*
Within 1 month	**121,229**	39,452
1 to 3 months	**13,984**	10,289
3 to 6 months	**3,586**	14,617
6 to 12 months	**7,299**	5,974
Over 12 months	**7,051**	3,182
	153,149	73,514

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Fixed deposits	**302,308**	226,349
Less: Pledged time deposits	**(302,308)**	(226,349)
	–	–
Cash at banks and on hand	**605,766**	512,806
Cash and cash equivalents	**605,766**	512,806

As at 30 June 2017, the cash and bank balances of the Group denominated in RMB amounted to RMB605,766,000 (31 December 2016: RMB512,806,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

16. TRADE PAYABLES

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

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Within 1 month	**126,562**	88,652
1 to 3 months	**89,927**	52,215
3 to 6 months	**46,624**	13,375
6 to 12 months	**9,095**	16,680
Over 12 months	**17,957**	14,655
	290,165	185,577

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017			31 December 2016		
	Contractual interest rate	**Maturity**	***RMB'000* (Unaudited)**	Contractual interest rate	Maturity	*RMB'000* (Audited)
CURRENT						
Bank loans						
– secured	**1.12% to 3.16%**	**2017 to 2018**	**96,640**	1.85% to 2.26%	2017	261,150
– unsecured	**2.84% to 4.75%**	**2017 to 2018**	**1,060,283**	4.00% to 6.88%	2017	495,006
			1,156,923			756,156
NON-CURRENT						
Bank loans						
–secured				4.13%	2018	176,000
–unsecured	**2.55% to 7.21%**	**2018 to 2020**	**3,828,316**	4.3% to 6.88%	2018 to 2021	3,421,750
Loan from the government						
–unsecured *(note (b))*	**Floating rate at 0.3% above the market prime lending rate**	**2020**	**3,636**	Floating rate at 0.3% above the market prime lending rate	2020	3,636
			3,831,952			3,601,386
			4,988,875			4,357,542

	30 June 2017 (Unaudited) *RMB'000*	31 December 2016 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,156,923**	756,156
In the second year	**1,153,500**	2,397,800
In the third to fifth years, inclusive	**2,674,816**	1,199,950
Beyond five years	**–**	–
	4,985,239	4,353,906
Other borrowings repayable:		
In the third to fifth years, inclusive	**3,636**	3,636
	4,988,875	4,357,542

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

Notes:

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

(b) The loan from the government bears interest at a floating rate of 0.30% (2016: 0.30%) above the market prime lending rate and is not due to be repaid within the next 12 months.

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

18. MAJOR NON-CASH TRANSACTION - INTEREST CAPITALISATION

During the period under review, the Group did not have capitalised interest expenses (2016: RMB7,205,000) to property, plant and equipment.

19. CONTINGENT LIABILITIES

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

20. COMMITMENTS

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

	30 June 2017 (Unaudited) ***RMB'000***	31 December 2016 (Audited) *RMB'000*
Capital commitments:		
Contracted, but not provide for:		
Buildings	**89,785**	212,026
Plant and machinery	**504,970**	218,544
Coal mines	**–**	27,606
	594,755	458,176
Authorised, but not contracted for:		
Plant and machinery	**746**	–
	595,501	458,176
Other commitments:		
Purchases of raw materials	**53,167**	497,696

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of electricity, water and steam to:		
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**431**	515
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**122**	79
– Xinxiang Yuyuan Chemical Co., Ltd.#	**290**	290
Service fee income for provision of calibration and testing services to:		
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**–**	–
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**–**	–
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	9
Purchases of raw materials and consumables from:		
– Xinxiang Yuyuan Chemical Co., Ltd.#	**1,634**	–
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**14,534**	5,639
Service fee expenses for provision of lifting services from:		
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	–
Operating lease expenses to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	**1,120**	932
Interest expense to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	**–**	–

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

21. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fee	**400**	400
Salaries and bonuses	**1,650**	1,170
Contributions to defined contribution plans	**122**	122
Total compensation paid to key management personnel	**2,172**	1,692

22. SEASONALITY OF OPERATIONS

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

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Revenue

Revenue for the half year ended 30 June 2017 ("**1H2017**") increased by approximately RMB680 million or 24% from approximately RMB2,894 million for the half year ended 30 June 2016 ("**1H2016**") to approximately RMB3,574 million for 1H2017. The increase was mainly due to the increase in revenue derived from the sales of compound fertiliser, melamine, methanol and liquid ammonia. The increase in revenue was partially offset by the decrease in revenue derived from sales of urea.

Urea

Revenue derived from the sales of urea decreased by approximately RMB161 million or 10% from approximately RMB1,552 million for 1H2016 to approximately RMB1,392 million for 1H2017 mainly due to the decrease in sales volume by approximately 22%. The decrease in revenue was offset by the increase in average selling price by approximately 15%. The decrease in sales volume was mainly due to the increased consumption of urea in the production of melamine products and the shift in increasing the sales of liquid ammonia (raw material for production of urea) to gain better margins when there was a rise in the average selling price of liquid ammonia.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB233 million or 26% from approximately RMB909 million for 1H2016 to RMB1,143 million for 1H2017. Such increase primarily resulted from the increase in sales volume by approximately 28% in 1H2017 due to the expansion of the Group's sales network. The increase in revenue was partially offset by the decrease in average selling prices of compound fertiliser by approximately 2% mainly due to the changes in products formula.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB136 million or 57% from approximately RMB240 million for 1H2016 to approximately RMB376 million for 1H2017 mainly due to the increase in average selling price and sales volume by approximately 41% and 12% respectively. The increase in average selling price was mainly due to the recovery in international energy prices and the increased demand of methanol from domestic olefins production. The increase in sales volume was mainly due to the fact that the Company increased its methanol production in view of the profitability of urea and methanol.

(I) BUSINESS REVIEW *(Continued)*

Liquid Ammonia

Revenue derived from sales of liquid ammonia amounting to RMB191 million for 1H2017. Liquid ammonia can be further manufactured to urea product and the Group chose to sale more liquid ammonia instead of urea during 1H2017 mainly because the liquid ammonia has higher profit margins as compared to urea. Liquid ammonia can also be used in the production of phosphate fertiliser and the process of desulphurization and denitrification gases from power plant.

Melamine

The Group's melamine production line I in Xinjiang has successfully commenced production in September 2016 with total annual capacity of 60,000 tons. Revenue derived from sales of melamine amounting to RMB185 million in 1H2017. The melamine production line I outperformed the Group's expectation during 1H2017 and has run at full capacity, reaching a sales volume of approximately 33,000 tons in 1H2017.

Gross profit margin

Overall gross profit margin remained at approximately 19% in 1H2017 which is the same as that of 1H2016.

Gross profit margin of urea decreased from approximately 23% in 1H2016 to approximately 18% in 1H2017 due to higher coal prices that had led to an increase of approximately 23% in the average cost of sale of urea. The increase in average cost of sale was offset by the increase in average selling price by approximately 15%.

Gross profit margin of compound fertiliser decreased from approximately 17% in 1H2016 to approximately 15% in 1H2017. This was mainly due to the decrease in average selling price by approximately 2%. The decrease in average selling price was mainly due to the change in formula of compound fertilisers.

Gross profit margin of methanol increase from approximately 9% in 1H2016 to approximately 21% in 1H2017. This was mainly due to the increase in average selling price by approximately 41%. The increase in average selling price was partially offset by the increase of average cost of sales by approximately 23% due to higher coal prices in 1H2016.

(I) BUSINESS REVIEW *(Continued)*

Gross profit margin *(Continued)*

Due to strengthened environment policy in China, the demand for liquid ammonia increased in the pursuit of desulphurization and denitrification by power plants. Gross profit margin of liquid ammonia was approximately 22% in 1H2017, which was higher than that of the Group's urea product.

Gross profit margin of melamine was approximately 51% in 1H2017. Being the downstream product of urea, the Group's melamine product was competitive in terms of cost of sales due to the efficient production of urea at low cost in Xinjiang production line.

Other income, net

Other income, net decreased by approximately RMB17 million or 44.7% from approximately RMB39 million in 1H2016 to approximately RMB22 million in 1H2017. This was mainly due to the decrease in subsidies from government and interest income by approximately RMB22 million and RMB5 million respectively. The decrease was partially offset by the increase in net profit from sales of by products by approximately RMB11 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB38 million or 19% from approximately RMB198 million in 1H2016 to approximately RMB160 million in 1H2017. This was mainly due to the decrease in transportation cost and advertising expenses by approximately RMB21 million and RMB17 million respectively. The decrease in transportation cost was mainly due to the decrease in urea sales volume.

General and administrative expenses

General and administrative expenses increased by approximately RMB29 million or 20% from approximately RMB150 million in 1H2016 to RMB179 million in 1H2017. The increase was mainly due to the increase in staff costs, professional costs, amortisation and depreciation cost and property tax expenses by approximately RMB22 million, RMB3 million, RMB3 million and RMB2 million respectively.

(I) BUSINESS REVIEW *(Continued)*

Finance costs

Finance costs decreased by approximately RMB1 million or 1% from approximately RMB143 million in 1H2016 to approximately RMB142 million in 1H2017, which was mainly due to the decrease in average cost rate of the Group's interest bearing borrowings.

Income tax expense

Income tax expense increased by approximately RMB23 million or 181% from approximately RMB12 million in 1H2016 to RMB35 million in 1H2017 due to higher taxable profits recorded by the Group for 1H2017.

Profit for the period

The profit for the period increased by approximately RMB105 million or 129% from approximately RMB82 million in 1H2016 to approximately RMB187 million in 1H2017. This was mainly due to the increase in gross profit of approximately RMB136 million and decrease in selling and distribution expenses by approximately RMB38 million. The increase in profit for the period was partly offset by the increase in general and administration expenses and income tax expenses by approximately RMB29 million and RMB23 million respectively.

(II) FINANCIAL REVIEW

Gearing

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amounts due to related companies	**841**	4,391
Trade and bills payables	**1,020,175**	840,597
Accruals and other payables	**832,613**	1,422,739
Interest-bearing bank and other borrowings	**4,988,875**	4,357,542
Loan from a non-controlling interest	**100,000**	100,000
Long-term bond and short-term bond payables	**600,000**	800,000
Less: Cash and cash equivalents	**(605,766)**	(512,806)
Less: Pledged time deposits	**(302,308)**	(226,349)
Net debt	**6,634,430**	6,786,114
Equity attributable to owners of the Company	**3,158,027**	3,035,787
Less: Statutory reserve fund	**(373,492)**	(285,412)
Total capital	**2,784,535**	2,750,375
Capital and net debt	**9,418,965**	9,536,489
Gearing ratio	**70.44%**	71.16%

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

(II) FINANCIAL REVIEW

Loans

Amount payable in one year or less, or on demand

	As at 30/6/2017		As at 31/12/2016	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Bank loans	**96,640**	**1,060,283**	261,150	495,006
Short-term bond payable	**–**	**–**	–	200,000
	96,640	**1,060,283**	261,150	695,006

Amount payable after one year

	As at 30/6/2017		As at 31/12/2016	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	**RMB'000**	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Bank loans	**–**	**4,128,316**	176,000	3,421,750
Long-term bond payable	**–**	**300,000**	–	600,000
Loan from the government	**–**	**3,636**	–	3,636
	–	**4,431,952**	176,000	4,025,386

Details of guarantee

As at 30 June 2017, the Group has approximately RMB97 million (31 December 2016: RMB259 million) short-term loans secured by pledged time deposits.

(III) PROSPECTS

In the first half of 2017, the urea market remained weak due to decreased export of urea and low grain prices. With the arrival of off-season for fertilisation, the urea market is expected to face further pressure, resulting in relatively low utilisation rate. On the other hand, the recovery of international energy prices will, to certain extent, provide support to the domestic urea price. It is expected that the overall urea market will gradually recover in the fourth quarter of this year.

The sluggish market environment will speed up industry consolidation and squeeze out obsolete and inefficient producers. The Group will continue to implement its product differentiation strategy and further increase the percentage of sales volume of high-efficiency fertilisers so that the profitability and market competitiveness of the Group can be further improved. In addition, the successful operation of the newly established methanol/dimethyl ether production systems will further diversify the Group's product mix and increase the flexibility of product mix adjustment, which is expected to enhance the Group's profitability and ability to withstand risks. In view of the above, the Group expects its overall profitability in 2017 will be better compared with that of last year.

Save as mentioned above, there is no important event affecting the Company and its subsidiaries that have occurred since 30 June 2017.

(IV) SUPPLEMENTARY INFORMATION

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

For the six months ended 30 June 2017, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRSs, IASs and Interpretations).

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

2. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by 1.9% in the six months ended 30 June 2017 as compared to an increase of 1.3% in the same period in 2016. Such inflation in the PRC did not have a significant impact on the Group's operating results.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

2. Operational and Financial Risks *(Continued)*

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 30 June 2017, approximately RMB1,157 million (31 December 2016: RMB956 million), or 20.7% (31 December 2016: 18.5%) 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. In order to maintain or adjust the capital structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital in 2016 and 2017. The gearing ratio of the Group as at 30 June 2017 (calculated as net debt divided by total capital plus net debt) was 70.44%, representing a decrease of 0.72 percentage point as compared to 31 December 2016. As at 30 June 2017, except for the pledged time deposit of RMB302,308,000 (31 December 2016: RMB226,349,000), the Group had no pledge of assets.

3. Contingent Liabilities

As at 30 June 2017, the Group had no material contingent liabilities (2016: Nil).

4. Material Litigation and Arbitration

As at 30 June 2017, the Group was not involved in any material litigation or arbitration.

5. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

6. Compliance with the Code on Corporate Governance Practices

The Company is devoted to maintaining good practice of corporate governance, and has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the six months ended 30 June 2017.

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**") as set out 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, during the six months ended 30 June 2017, all directors have complied with the required standards of the Model Code.

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

For the six months ended 30 June 2017, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

9. Employees and Remuneration Policy

As at 30 June 2017, there were 6,110 (2016: 6,542) 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.

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

4 August 2017

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

** for identification purpose only*