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 2018

The Board of Directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) *RMB'000*	2017 (Unaudited) *RMB'000*
REVENUE	*4*	**4,598,991**	3,574,408
Cost of sales		**(3,539,414)**	(2,891,727)
Gross profit		**1,059,577**	682,681
Other (expenses)/income, net	*4*	**(61,404)**	21,531
Selling and distribution expenses		**(190,637)**	(160,839)
General and administrative expenses		**(223,521)**	(179,151)
Finance costs	*5*	**(160,987)**	(142,595)
PROFIT BEFORE TAX	*6*	**423,028**	221,627
Income tax expense	*7*	**(61,977)**	(35,042)
PROFIT FOR THE PERIOD		**361,051**	186,585
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Change in fair value		**(1,022)**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**(1,022)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**360,029**	186,585
Profit attributable to:			
Owners of the parent		**338,289**	173,752
Non-controlling interest		**22,762**	12,833
		361,051	186,585
Total comprehensive income attributable to:			
Owners of the parent		**337,267**	173,752
Non-controlling interest		**22,762**	12,833
		360,029	186,585
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	*9*	**28.87**	14.77

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 2018

	Notes	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**8,687,318**	8,607,583
Prepaid land lease payments	10	**552,200**	381,708
Goodwill		**25,361**	25,361
Coal mining rights	10	**87,963**	90,684
Available-for-sale investment	12	**6,708**	6,708
Deferred tax assets		**33,088**	23,126
Prepayments for purchases of items of plant and equipment	11	**206,340**	135,493
Pledged deposits		**–**	5,388
Prepayments to a related company		**12,745**	13,272
Total non-current assets		**9,611,723**	9,289,323
CURRENT ASSETS			
Available-for-sale investment		**36,156**	37,178
Due from a related company		**343**	2,603
Inventories	13	**755,224**	715,038
Trade and bills receivables	14	**238,590**	160,829
Prepayments	11	**409,504**	457,318
Deposits and other receivables		**372,139**	721,112
Income tax recoverable		**2,899**	14
Pledged time deposits	15	**304,311**	181,077
Cash and cash equivalents	15	**304,991**	341,270
Total current assets		**2,424,157**	2,616,439
CURRENT LIABILITIES			
Due to related companies		**163**	45
Trade payables	16	**310,335**	246,701
Bills payable		**429,304**	423,915
Accruals and other payables		**1,094,156**	1,519,336
Income tax payable		**6,038**	31,595
Deferred grants		**5,943**	5,943
Short-term bond payable		**300,000**	600,000
Non-controlling shareholder borrowings		**–**	24,750
Interest-bearing bank and other borrowings	17	**2,499,986**	1,646,112
Total current liabilities		**4,645,925**	4,498,397
NET CURRENT LIABILITIES		**(2,221,768)**	(1,881,958)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,389,955**	7,407,365

	Notes	**30 June 2018 (Unaudited) *RMB'000***	31 December 2017 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Non-controlling shareholder borrowings		**75,250**	50,500
Interest-bearing bank and other borrowings	*17*	**2,446,543**	2,965,015
Deferred grants		**93,769**	93,987
Deferred tax liabilities		**36,939**	36,939
Other payables		**110,970**	110,970
Long-term bond payable		**700,000**	500,000
Total non-current liabilities		**3,463,471**	3,757,411
NET ASSETS		**3,926,484**	3,649,954
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**872,579**	872,579
Statutory reserve fund		**327,793**	327,793
Convertible bonds		**325,138**	322,436
Fair value reserve		**(2,024)**	(1,002)
Retained profits		**2,094,956**	1,844,869
		3,618,442	3,366,675
Non-controlling interest		**308,042**	283,279
Total equity		**3,926,484**	3,649,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Group

	Issued capital	Convertible bonds	Available-for-sale investment revaluation reserve	Statutory reserve fund	Retained profits	Non-controlling Interest	Total Equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
As at 1 January 2018	**872,579**	**322,436**	**(1,002)**	**327,793**	**1,844,869**	**283,279**	**3,649,954**
Profit for the period	–	–	–	–	**338,289**	**22,762**	**361,051**
Other comprehensive income for the period:							
Change in fair value of an available-for-sale investment	–	–	**(1,022)**	–	–	–	**(1,022)**
Total comprehensive income for the period	–	–	**(1,022)**	–	**338,289**	**22,762**	**360,029**
Incorporation of subsidiary	–	–	–	–	–	**2,001**	**2,001**
2017 final dividend declared	–	–	–	–	**(85,500)**	–	**(85,500)**
Interests on convertible bonds	–	**2,702**	–	–	**(2,702)**	–	–
As at 30 June 2018	**872,579**	**325,138**	**(2,024)**	**327,793**	**2,094,956**	**308,042**	**3,926,484**

	Issued capital	Convertible bonds	Available-for-sale investment revaluation reserve	Statutory reserve fund	Retained profits	Non-controlling Interest	Total Equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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	–
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cash flows from operating activities			
Profit before tax		**423,028**	221,627
Adjustment for:			
Amortisation of prepaid land lease payment	*6*	**4,838**	4,784
Amortisation of coal mining rights	*6*	**2,721**	1,874
Impairment loss on fixed assets		**76,500**	–
Depreciation of property, plant and equipment	*6*	**295,265**	280,280
Loss on disposal of items of property, plant and equipment	*4, 6*	**3,417**	1,967
Amortisation of deferred grants	*4*	**–**	(101)
Interest income	*4*	**(3,315)**	(4,105)
Finance cost	*5*	**160,987**	142,595
		963,441	648,921
Increase in inventories		**(40,186)**	(38,448)
Increase in trade and bills receivables		**(77,761)**	(92,200)
Decrease/(increase) in prepayments		**47,814**	(28,267)
Decrease in other receivables and deposits		**7,115**	39,830
Decrease in due from a related company		**2,260**	4,800
Increase in trade and bills payables		**69,023**	179,578
Decrease in other payables and accruals		**(406,578)**	(250,415)
Increase/(decrease) in amounts due to related companies		**118**	(3,580)
Cash generated from operations		**565,246**	460,219
Interest received		**3,315**	4,105
Interest paid		**(160,987)**	(142,595)
Income taxes paid		**(61,977)**	(35,042)
Government grants received		**–**	–
Net cash generated from operating activities		**345,597**	286,687

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cash flows from investing activities		
Purchases of items of property, plant and equipment, and land use rights	**(608,145)**	(504,220)
Proceeds from disposal of items of property, plant and equipment	**197,600**	–
(Increase)/decrease in bank pledged time deposits	**(123,234)**	(75,959)
Net cash flows used in investing activities	**(533,779)**	(580,179)
Cash flows from financing activities		
Proceeds from loans and borrowings	**1,802,127**	1,232,105
Repayment of loans and borrowings	**(1,564,724)**	(805,653)
Dividends paid	**(85,500)**	(40,000)
Net cash generated from financing activities	**151,903**	386,452
Net (decrease)/increase in cash and cash equivalents	**(36,279)**	92,960
Cash and cash equivalents at beginning of period	**341,270**	512,806
Cash and cash equivalents at end of period	**304,991**	605,766

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2018

1. CORPORATE INFORMATION

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are primary-listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore 068898. The principal place of business of the Group is located at Xinxiang Economic 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, furfuryl alcohol, melamine, dimethyl ether, liquid ammonia and ammonia solution.

2.1 BASIS OF PREPARATION

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 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-forsale 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements	Amendments to a number of IFRSs Cycle 2014-2016

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group adopted the amendments from 1 January 2017.

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

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group adopted the amendments from 1 January 2017.

3. OPERATING SEGMENT INFORMATION

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

– Manufacturing and sale of urea
– Manufacturing and sale of compound fertiliser
– Manufacturing and sale of methanol
– Manufacturing and sale of melamine
– Manufacturing and sale of furfuryl alcohol
– Manufacturing and sale of dimethyl ether (DME)

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 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)*

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

For the six months ended 30 June 2018

	Urea	Compound fertiliser	Methanol	Melamine	Furfuryl alcohol	Dimethyl ether	Others	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE								
Sales to external customers	**1,837,080**	**1,454,445**	**260,541**	**237,034**	**272,984**	**392,766**	**144,141**	**4,598,991**
Intersegment sales	–	–	–	–	–	–	–	–
Total revenue	**1,837,080**	**1,454,445**	**260,541**	**237,034**	**272,984**	**392,766**	**144,141**	**4,598,991**
Segment profit	**558,585**	**188,259**	**35,855**	**129,230**	**26,462**	**97,161**	**24,025**	**1,059,577**
Interest income								**3,315**
Unallocated other expenses								**(64,719)**
Unallocated expenses								**(414,158)**
Finance costs								**(160,987)**
Profit before tax								**423,028**
Income tax expense								**(61,977)**
Profit for the period								**361,051**

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

For the six months ended 30 June 2017

	Urea	Compound fertiliser	Methanol	Melamine	Furfuryl alcohol	Others	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE							
Sales to external customers	1,391,823	1,142,530	376,394	185,152	166,240	312,269	3,574,408
Intersegment sales	–	–	–	–	–	–	–
Total revenue	1,391,823	1,142,530	376,384	185,152	166,240	312,269	3,574,408
Segment profit	247,653	175,967	78,284	94,099	16,136	70,542	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

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**4,598,991**	3,574,408

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**3,315**	4,105
Net profit from sales of by-products	**18,513**	15,886
Service fee income from related parties	**539**	707
Penalty income	**1,186**	–
Subsidy income	**1,920**	1,400
Others	**793**	1,594
	26,266	23,692
Other expenses		
Impairment loss on fixed assets	**(76,500)**	–
Loss on disposal of items of property, plant and equipment	**(3,417)**	(1,967)
Exchange loss, net	**(7,112)**	–
Others	**(641)**	(194)
	(87,670)	(2,161)
Other (expenses)/income, net	**(61,404)**	21,531

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**160,987**	142,595
Interest on bank loans, overdrafts and other loans, wholly repayable after five years		
Less: interest capitalised	**–**	–
	160,987	142,595

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**3,539,414**	2,891,727
Depreciation of property, plant and equipment	**295,265**	280,280
Amortisation of prepaid land lease payments	**4,838**	4,784
Amortisation of coal mining rights	**2,721**	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	**274,876**	252,942
Contributions to defined contribution plans	**36,203**	30,078
Welfare expenses	**18,338**	13,315
	329,417	296,335
Auditors' remuneration	**1,000**	1,000
Loss on disposal of items of property, plant and equipment	**3,417**	1,967

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 2018 (six months ended 30 June 2017: 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% (2017: 25%). For the six months ended 30 June 2018, 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 2018 and 2017 are:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**61,977**	35,042
Deferred	**–**	–
Total tax charge for the period	**61,977**	35,042

8. DIVIDEND

Final dividend of RMB85,500,000 (year ended 31 December 2016: RMB40,000,000) for the year ended 31 December 2017 was declared during the six months ended 30 June 2018.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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 1,171,621,000 (six months ended 30 June 2017: 1,176,000,000) ordinary shares (inclusive of mandatorily convertible instruments issued) outstanding during the period.

There were no potentially dilutive ordinary shares in existence during the six months ended 30 June 2018 and 2017 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 RMB608,145,000 and RMB197,600,000 (six months ended 30 June 2017: RMB504,220,000 and nil), respectively.

11. PREPAYMENTS

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of items of property, plant and equipment	**206,340**	135,493
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**405,661**	445,910
Current portion of prepaid land lease payments	**3,843**	8,953
Other prepayments	**–**	2,455
	409,504	457,318

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
NON-CURRENT		
Unlisted equity investment, at cost:		
PRC	**6,708**	6,708
CURRENT		
Listed equity investment, at fair value:		
Singapore	**2,548**	2,678
Hong Kong	**33,608**	34,500
	36,156	37,178

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

The market value of the listed equity investments at the date of approval of these financial statements was approximately RMB36,156,000.

13. INVENTORIES

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Raw materials	**309,575**	331,607
Parts and spares	**79,549**	83,954
Work-in-progress	**1,003**	–
Finished goods	**365,097**	299,477
	755,224	715,038

14. TRADE AND BILLS RECEIVABLES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	RMB'000	*RMB'000*
Trade receivables	**189,673**	127,763
Bills receivable	**48,917**	33,066
	238,590	160,829

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 2018 (Unaudited)	31 December 2017 (Audited)
	RMB'000	*RMB'000*
Within 1 month	**118,752**	98,220
1 to 3 months	**56,902**	8,058
3 to 6 months	**2,907**	6,835
6 to 12 months	**5,153**	10,969
Over 12 months	**5,959**	3,681
	189,673	127,763

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Fixed deposits	**304,311**	186,465
Less: Pledged time deposits	**(304,311)**	(186,465)
Cash at banks and on hand	**304,991**	341,270
Cash and cash equivalents	**304,991**	341,270

As at 30 June 2018, the cash and bank balances of the Group denominated in RMB amounted to RMB304,991,000 (31 December 2017: RMB341,270,000). 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 2018 (Unaudited) *RMB'000*	31 December 2017 (Audited) *RMB'000*
Within 1 month	**169,792**	128,832
1 to 3 months	**84,661**	50,374
3 to 6 months	**18,393**	38,120
6 to 12 months	**20,192**	12,985
Over 12 months	**17,297**	16,390
	310,335	246,701

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 2018			31 December 2017		
	Contractual interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual interest rate	Maturity	*RMB'000* (Audited)
CURRENT						
Bank loans						
– secured	**4.51%**	**2018**	**175,000**	–	–	–
– unsecured	**2.84% to 6.00%**	**2018 to 2019**	**2,324,986**	4.35% to 5.39%	2018	1,646,112
			2,499,986			1,646,112
NON-CURRENT						
Bank loans						
– secured	**–**	**–**	**–**	4.13%	2019	176,000
– unsecured	**2.55% to 7.21%**	**2018 to 2021**	**2,519,066**	4.35% to 6.00%	2019 to 2022	2,786,288
Loan from the government						
– unsecured *(note (b))*	**Floating rate at 0.3% above the market prime lending rate**	**2020**	**2,727**	Floating rate at 0.3% above the market prime lending rate	2020	2,727
			2,521,793			2,965,015
			5,021,779			4,611,127

	30 June 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**2,499,986**	1,646,112
In the second year	**1,339,800**	2,032,400
In the third to fifth years, inclusive	**1,179,266**	929,888
Beyond five years	**–**	–
	5,019,052	4,608,400
Other borrowings repayable:		
In the third to fifth years, inclusive	**2,727**	2,727
	5,021,779	4,611,127

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

Notes:

(a) The secured bank loans are amounts of RMB175,000,000 which are secured by certain of the Group's items of property, plant and equipment.

(b) The loan from the government bears interest at a floating rate of 0.30% (2017: 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 (2017: Nil) 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 2018 (Unaudited) ***RMB'000***	31 December 2017 (Audited) *RMB'000*
Capital commitments:		
Contracted, but not provide for:		
Buildings	**369,115**	217,751
Plant and machinery	**1,254,732**	207,446
Coal mines	**–**	25,870
	1,623,847	451,067
Other commitments:		
Purchases of raw materials	**88,916**	554,272

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	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of electricity, water and steam to:		
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**401**	431
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**112**	122
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	290
Service fee income for provision of calibration and testing services to:		
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**20**	–
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**6**	–
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	–
Purchases of raw materials and consumables from:		
– Xinxiang Yuyuan Chemical Co., Ltd.#	**–**	1,634
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**26,221**	14,534
– Henan Shenzhou Heavy Sealing Co., Ltd.#	**3,082**	–
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**	1,120

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

21. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fee	**400**	400
Salaries and bonuses	**6,900**	1,170
Contributions to defined contribution plans	**122**	122
Total compensation paid to key management personnel	**7,422**	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 2018 ("**1H2018**") increased by approximately RMB1,025 million or 29% from approximately RMB3,574 million for the half year ended 30 June 2017 ("**1H2017**") to approximately RMB4,599 million for 1H2018. The increase was mainly due to the increase in revenue derived from the sales of urea, compound fertiliser, melamine, dimethyl ether and furfuryl alcohol. The increase in revenue was partially offset by the decrease in revenue derived from sales of methanol and liquid ammonia.

Urea

Revenue derived from the sales of urea increased by approximately RMB445 million or 32% from approximately RMB1,392 million for 1H2017 to approximately RMB1,837 million for 1H2018 mainly due to the increase in average selling price by approximately 32%. The increase in average selling prices was mainly due to the continuous increase in the percentage of sales of high-efficiency fertilisers; and the accelerated close down of those small scale and highly pollutive manufacturers, which have high production costs as a result of the continuous industry consolidation and environmental protection measures in PRC.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB311 million or 27% from approximately RMB1,143 million for 1H2017 to RMB1,454 million for 1H2018. Such increase primarily resulted from the increase in sales volume by approximately 14% in 1H2018 due to the expansion of the Group's sales network and the increase in average selling prices by approximately 11%.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB116 million or 31% from approximately RMB376 million for 1H2017 to approximately RMB260 million for 1H2018 mainly due to the decrease in sales volume by approximately 41%. The decrease in sales volume of methanol was due to the internal consumption by the Group for the production of DME as feedstock. With the DME production line commenced production in September 2017, the Group can adjust products mix between methanol and DME based on product profitability.

Melamine

Revenue derived from the sales of melamine increased by approximately RMB52 million or 28% from approximately RMB185 million for 1H2017 to approximately RMB237 for 1H2018 mainly due to the increase in average selling prices by approximately 21%. The increase in average selling prices was partially offset by the increase in major raw material prices such as urea.

Furfuryl Alcohol

Revenue derived from the sales of furfuryl alcohol increased by approximately RMB107 million or 64% from approximately RMB166 million for 1H2017 to approximately RMB273 million for 1H2018. The increase was mainly due to the increase in average selling prices of furfuryl alcohol by approximately 35% and the increase in sales volume by approximately 22%. The increase in average selling prices was mainly due to close down of those small scale and highly pollutive manufacturers as a result of the increased domestic environmental protection measures.

Dimethyl Ether (DME)

Revenue derived from the sales of DME was approximately RMB393 million with sales volume of approximately 109,000 tons in 1H2018. In September 2017, the Group's DME project in Henan production base, with annual production capacity of 200,000 tons, successfully commenced operation and improved the Group's ability to adjust the products mix according to methanol's and DME's products profitability.

Gross profit margin

Overall gross profit margin increased from approximately 19% in 1H2017 to approximately 23% in 1H2018 mainly due to the increase in the gross profit margins for urea and melamine, and the improvement of products mix in a more flexible manner after the commencement of production of DME products.

(I) BUSINESS REVIEW *(Continued)*

Urea

Gross profit margin of urea increased from approximately 18% in 1H2017 to approximately 30% in 1H2018 due to the increase in average selling prices by approximately 32% resulted from the continuous increase in percentage of the Group's sales of high-efficiency fertilisers; and the accelerated close down of those small scale and highly pollutive manufacturers which have high production costs as a result of the continuous industry consolidation and environmental protection measures in PRC. The increase was partially offset by the increase in average cost of sales by approximately 11% due to higher coal prices.

Compound fertiliser

Gross profit margin of compound fertiliser decreased from approximately 15% in 1H2017 to approximately 13% in 1H2018. This was mainly due to the increase in average cost of sales by approximately 15% resulted from higher raw material prices. Increase in average cost of sales was partially offset by the increase in average selling price by approximately 11%.

Methanol

Gross profit margin of methanol decreased from approximately 21% in 1H2017 to approximately 14% in 1H2018. This was mainly due to the increase in average cost of sales by approximately 28% due to higher coal prices in 1H2018. The increase in average cost of sales was partially offset by the increase in average selling price by approximately 18%.

Melamine

Gross profit margin of melamine increased from approximately 51% in 1H2017 to approximately 55% in 1H2018. The increase was mainly due to the increase in average selling prices by approximately 21%. The increase in average selling prices was partially offset by the increase in average cost of sales by approximately 12% due to higher coal prices.

(I) BUSINESS REVIEW *(Continued)*

Furfuryl Alcohol

Gross profit margin of furfuryl alcohol remain stable at approximately 10% in 1H2017 and 1H2018.

Dimethyl Ether (DME)

The gross profit margin for DME was approximately 25% in 1H2018 which was higher than the Group's methanol products. In 1H2018, the Group adjusted the products mix and maximised the capacity utilization rate of DME facilities based on the profitability between DME and methanol products.

Other (expenses)/income, net

Other (expenses)/income, net decreased by approximately RMB83 million from net income of approximately RMB22 million in 1H2017 to net expenses of approximately RMB61 million in 1H2018. This was mainly due to the increase in impairment loss on assets, exchange losses and loss on disposal of items of property, plant and equipment by approximately RMB77 million, RMB7 million and RMB1 million respectively. The impairment loss on assets was mainly because the Group will shut down its first production line and establish a new advanced coal gasification production line in its industrial park. The decrease in other income, net was partially offset by the increase in net profit from sales of by-products and subsidy income by approximately RMB 3 million and RMB1 million respectively.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB31 million or 19% from approximately RMB160 million in 1H2017 to approximately RMB191 million in 1H2018. This was mainly due to the increase in salary, transportation costs and consumables by approximately RMB21 million, RMB10 million and RMB4 million respectively. The increase was partially offset by the decrease in advertisement expense by approximately RMB10 million.

(I) BUSINESS REVIEW *(Continued)*

General and administrative expenses

General and administrative expenses increased by approximately RMB44 million or 25% from approximately RMB179 million in 1H2017 to RMB223 million in 1H2018. The increase was mainly due to the increase in staff costs, directors' performance bonus, research and development costs, environmental taxes, office expenses and professional costs by approximately RMB12 million, RMB5 million, RMB7 million, RMB6 million, RMB7 million and RMB3 million respectively.

Finance costs

Finance costs increased by approximately RMB19 million or 13% from approximately RMB142 million in 1H2017 to approximately RMB161 million in 1H2018, which was mainly due to the increase in amount of the Group's interest bearing borrowings and average interest rate of the Group's interest bearing borrowings.

Income tax expense

Income tax expense increased by approximately RMB27 million or 77% from approximately RMB35 million in 1H2017 to RMB62 million in 1H2018 due to higher profits.

Profit for the period

The profit for the period increased by approximately RMB174 million or 94% from approximately RMB187 million in 1H2017 to approximately RMB361 million in 1H2018. This was mainly due to the increase in gross profit of approximately RMB377 million. The increase in profit for the period was partially offset by the increase in selling and distribution expenses, general and administration expenses and income tax expenses by approximately RMB31 million, RMB44 million and RMB27 million respectively.

(II) FINANCIAL REVIEW

Gearing

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Due to related companies	**163**	45
Trade and bills payables	**739,639**	670,616
Accruals and other payables	**1,094,156**	1,630,306
Interest-bearing bank and other borrowings	**4,946,529**	4,611,127
Loan from a non-controlling interest	**75,250**	75,250
Long term and short term bond payable	**1,000,000**	1,100,000
Less: Cash and cash equivalents	**(304,991)**	(341,270)
Less: Pledged time deposits	**(304,311)**	(181,077)
Net debt	**7,246,435**	7,564,997
Equity attributable to owners of the Company	**3,618,442**	3,366,675
Less: Statutory reserve fund	**(327,793)**	(327,793)
Total capital	**3,290,649**	3,038,882
Capital and net debt	**10,537,084**	10,603,879
Gearing ratio	**68.77%**	71.34%

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

(II) FINANCIAL REVIEW *(Continued)*

Loans

Amount payable in one year or less, or on demand

	As at 30/6/2018		As at 31/12/2017	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Bank loans	**175,000**	**2,324,986**	–	1,646,112
Short-term bond payable	**–**	**300,000**	–	600,000
	175,000	**2,624,986**	–	2,246,112

Amount payable after one year

	As at 30/6/2018		As at 31/12/2017	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	**RMB'000**	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Bank loans	**–**	**2,519,066**	176,000	2,786,288
Long-term bond payable	**–**	**700,000**	–	500,000
Loan from the government	**–**	**2,727**	–	2,727
	–	**3,221,793**	176,000	3,289,015

Details of guarantee

As at 30 June 2018, the Group has bank loans of RMB175,000,000 which are secured by certain of the Group's items of property, plant and equipment.

(III) PROSPECTS

After two years' adjustment to production capacity structure, the overcapacity issue in the urea industry has been eased. Under the background of fertiliser supply side reform, the unprecedented environmental protection efforts in the PRC, the capacity utilisation rate in the urea industry in general is expected to remain steady at a low level. It is expected that more obsolete production capacity will be squeezed out of the market and the concentration degree in the urea industry will further increase.

The Group will continue to strengthen product research and development and increase the percentage of sales of high-efficiency fertilisers, so as to further improve the profitability and market competitiveness of fertiliser products of the Group and the profitability of its chemical products. The expansion of the Group's melamine project and DME project has been completed. Nowadays, the Group has a total annual production capacity of 120,000 tonnes of melamine and 400,000 tonnes of DME, which has further improved the Group's ability to adjust product mix in a flexible manner and strengthened its profitability and ability to withstand risks. In addition, the coal mine at the Xinjiang Base with a designed annual production capacity of 900,000 tonnes has commenced trial production, which signalled that the Group has expanded into the upper stream of the production line and this is expected to mitigate the impacts of the fluctuation in the prices of coal as a major raw material on the Group's production costs.

Furthermore, in order to increase the utilisation of advanced coal gasification technology, the Group plans to establish a new advanced coal gasification production line in its chemical park and shut down its first urea production line by the end of 2018. The first production line has a designed annual production capacity of 300,000 tonnes, representing approximately 11.5% of total urea production capacity of the Group.

(IV) SUPPLEMENTARY INFORMATION

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

For the six months ended 30 June 2018, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRSs, IASs and Interpretations).

2. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by 2.3% in the six months ended 30 June 2018 as compared to an increase of 1.9% in the same period in 2017. 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 2018, approximately RMB2,500 million (31 December 2017: RMB1,646 million), or 49.8% (31 December 2017: 35.7%) 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. Currently, the Group is adjusting the loan structures and obtained sufficient long term bank credit.

(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 2017 and 2018. The gearing ratio of the Group as at 30 June 2018 (calculated as net debt divided by the sum of total capital plus net debt) was 68.77%, representing a decrease of 2.57 percentage points as compared to 31 December 2017. As at 30 June 2018, except for the pledged deposit of RMB304,311,000 (31 December 2017: RMB181,077,000), the Group had no pledge of assets.

3. Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities (2017: Nil).

4. Material Litigation and Arbitration

As at 30 June 2018, the Group was not involved in any material litigation or arbitration.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

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 2018 have been reviewed by the Audit Committee.

6. Compliance with the Code on Corporate Governance Practices

The Company devotes 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 2018.

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 2018, all directors have complied with the required standards of the Model Code.

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

During the six months ended 30 June 2018, the Company repurchased on the SEHK a total of 115,000 shares of the Company. Such shares of the Company were cancelled on 2 February 2018. Details of the share repurchase are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchase price per share Highest	Repurchase price per share Lowest	Aggregate consideration
January 2018	115,000	HKD3.47	HKD3.40	HKD395,420

8. Purchase, Sales or Redemption of the Company's Securities *(Continued)*

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018. The repurchase of the Company's shares was made for the benefit of the Company's shareholders with a view to enhancing the net asset value per share and earnings per share of the Company.

9. Employees and Remuneration Policy

As at 30 June 2018, there were 5,965 (2017: 6,110) 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

3 August 2018

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, Mr. Ong Wei Jin and Mr. Li Hongxing; and the non-executive director of the Company is Mr. Zheng Jiaqi.

** for identification purpose only*