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CHINA XLX FERTILISER LTD.
中國心連心化肥有限公司 *

(Incorporated in Singapore with limited liability)
(Hong Kong Stock Code: 1866)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **(Unaudited)** ***RMB'000***	 2018 (Unaudited) *RMB'000*
REVENUE	*4*	**4,796,494**	4,598,991
Cost of sales		**(3,678,653)**	(3,539,414)
Gross profit		**1,117,841**	1,059,577
Other income/(expense), net	*4*	**31,896**	(61,404)
Selling and distribution expenses		**(251,991)**	(190,637)
General and administrative expenses		**(324,902)**	(223,521)
Finance costs	*5*	**(184,974)**	(160,987)
PROFIT BEFORE TAX	*6*	**387,870**	423,028
Income tax expense	*7*	**(70,410)**	(61,977)
PROFIT FOR THE PERIOD		**317,460**	361,051
OTHER COMPREHENSIVE INCOME			
Financial assets at fair value through other comprehensive income			
Change in fair value		**1,657**	(1,022)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**1,657**	(1,022)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**319,117**	360,029
Profit attributable to:			
Owners of the parent		**251,612**	338,289
Non-controlling interests		**65,848**	22,762
		317,460	361,051
Total comprehensive income attributable to:			
Owners of the parent		**253,269**	337,267
Non-controlling interests		**65,848**	22,762
		319,117	360,029
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	*9*	**21.48**	28.87

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 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**9,295,364**	9,000,522
Prepaid land lease payments and other intangible assets	*10*	**50,187**	630,606
Goodwill		**29,001**	29,001
Coal mining rights	*10*	**88,172**	88,172
Equity investment at fair value through profit or loss	*12*	**6,708**	6,708
Deferred tax assets		**96,283**	83,322
Prepayments for purchases of items of plant and equipment	*11*	**662,782**	489,348
Pledged time deposits	*15*	**107,000**	110,289
Prepayments to related companies		**30,743**	25,635
Right of use asset		**1,126,740**	–
Other assets		**131,558**	114,318
Investment in joint venture		**5,250**	–
Investment in an associate		**–**	95,157
Total non-current assets		**11,629,788**	10,673,078
CURRENT ASSETS			
Equity investments at fair value through profit or loss	*12*	**95,257**	37,178
Due from related companies		**833**	30,384
Inventories	*13*	**839,249**	1,066,853
Derivative financial instruments		**–**	17,719
Trade and bills receivables	*14*	**402,624**	331,131
Prepayments	*11*	**359,203**	552,404
Deposits and other receivables		**398,788**	431,385
Income tax recoverable		**458**	7,022
Other assets		**13,441**	13,441
Pledged time deposits	*15*	**920,500**	148,550
Cash and cash equivalents	*15*	**1,179,078**	346,151
Total current assets		**4,209,431**	2,982,218
CURRENT LIABILITIES			
Due to related companies		**8,444**	21,052
Trade payables	*16*	**309,655**	282,825
Bills payable		**782,662**	280,105
Contract liabilities		**337,878**	689,951
Accruals and other payables		**1,149,744**	1,161,845
Income tax payable		**33,653**	20,835
Deferred grants		**6,353**	5,443
Derivative financial instruments		**921**	–
Loans from a non-controlling interest		**50,500**	50,500
Interest-bearing bank and other borrowings	*17*	**3,279,320**	2,774,452
Lease liabilities		**102,102**	–
Total current liabilities		**6,061,232**	5,287,008
NET CURRENT LIABILITIES		**(1,851,801)**	(2,304,790)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,777,987**	8,368,288

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Loan from a non-controlling interest		**25,000**	25,000
Interest-bearing bank and other borrowings	17	**3,460,972**	2,568,439
Deferred grants		**93,787**	90,190
Deferred tax liabilities		**32,809**	31,573
Provision for rehabilitation		**23,836**	23,836
Accruals and other payables		–	23,618
Lease liabilities		**118,564**	–
Bonds payable		**693,605**	692,833
Total non-current liabilities		**4,448,573**	3,455,489
NET ASSETS		**5,329,414**	4,912,799
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,194,686**	1,194,686
Statutory reserve fund		**84,498**	45,753
Special reserve		**10,247**	2,433
Other reserve		**2,060,422**	2,060,422
Fair value adjustment reserve		**1,657**	–
Retained profits		**704,427**	618,520
		4,055,937	3,921,814
Non-controlling interests		**1,273,477**	990,985
Total equity		**5,329,414**	4,912,799

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Group

	Share capital	Statutory reserve fund	Other reserve	Special reserve-fund	Fair value adjustment reserve	Retained profits	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
As at 1 January 2019	**1,194,686**	**45,753**	**2,060,422**	**2,433**	–	**618,520**	**990,985**	**4,912,799**
Profit for the period	–	–	–	–	–	**251,612**	**65,848**	**317,460**
Acquisition of subsidiaries	–	–	–	–	–	–	**250,930**	**250,930**
Transfer to statutory reserve fund	–	**38,745**	–	–	–	**(38,745)**	–	–
Safety product cost	–	–	–	**7,814**	–	**(7,814)**	–	–
Other comprehensive income for the period	–	–	–	–	**1,657**	–	–	**1,657**
Payment of final 2018 dividend	–	–	–	–	–	–	**(34,286)**	**(34,286)**
2018 proposed dividend	–	–	–	–	–	**(119,146)**	–	**(119,146)**
As at 30 June 2019	**1,194,686**	**84,498**	**2,060,422**	**10,247**	**1,657**	**704,427**	**1,273,477**	**5,329,414**

	Share capital	Convertible bonds	Fair value adjustment reserve	Statutory reserve fund	Retained profits	Non-controlling interests	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

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 Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and International Financial Reporting Standards ("**IFRSs**"). For the purpose of SFRS(I)s, financial statements that have been prepared in accordance and complied with IFRSs are deemed to have also complied with SFRS(I)s. SFRS(I)s comprise standards and interpretations that are equivalent to IFRSs.

These financial statements have been prepared on a historical cost basis, except for equity investments at fair value through profit or loss, 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 accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The impacts arising from the adoption of IFRS 16 Lease as at 1 January 2019 are as follows:

	Increase/(decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	915,910
Decrease in property, plant and equipment	(293,090)
Decrease in prepaid land lease payments	(609,930)
Increase in total assets	12,890

	Increase/(decrease) *RMB'000* (Unaudited)
Liabilities	
Increase in lease liabilities	249,406
Decrease in interest-bearing bank and other borrowings	(236,516)
Increase in total liabilities	12,890
Decrease in retained earnings	–

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 2019

	Urea (Unaudited) *RMB'000*	Compound fertiliser (Unaudited) *RMB'000*	Methanol (Unaudited) *RMB'000*	Melamine (Unaudited) *RMB'000*	Furfuryl alcohol (Unaudited) *RMB'000*	Dimethyl ether (Unaudited) *RMB'000*	Others (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
REVENUE								
Sales to external customers	**1,909,162**	**1,585,621**	**44,187**	**368,064**	**201,176**	**457,678**	**230,606**	**4,796,494**
Intersegment sales	–	–	–	–	–	–	–	–
Total revenue	**1,909,162**	**1,585,621**	**44,187**	**368,064**	**201,176**	**457,178**	**230,606**	**4,796,494**
Segment profit	**608,967**	**236,209**	**1,908**	**139,038**	**15,222**	**44,333**	**72,164**	**1,117,841**
Interest income								**10,245**
Unallocated other incomes								**21,651**
Unallocated expenses								**(576,893)**
Finance costs								**(184,974)**
Profit before tax								**387,870**
Income tax expense								**(70,410)**
Profit for the period								**317,460**

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

Allocation basis *(Continued)*

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

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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**4,796,494**	4,598,991

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**10,245**	3,315
Net profit from sales of by-products	**27,334**	18,513
Service fee income from related parties	**6,561**	539
Penalty income	**1,120**	1,186
Subsidy income	**1,920**	1,920
Investment income	**24,938**	–
Compensation income	**5,893**	–
Others	**4,080**	793
	82,091	26,266
Other expenses		
Loss on impairment of property, plant and equipment	**(12,683)**	(76,500)
Loss on disposal of items of property, plant and equipment	**(5,128)**	(3,417)
Exchange loss, net	**(1,776)**	(7,112)
Loss on fair value change of derivative financial instrument	**(18,640)**	–
Loss on fair value change of equity investment	**(9,921)**	–
Others	**(2,047)**	(641)
	(50,195)	(87,670)
Other income/(expenses)	**31,896**	(61,404)

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**184,767**	160,987
Interest on bank loans, overdrafts and other loans, wholly repayable after five years	**207**	–
	184,974	160,987

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**3,678,653**	3,539,414
Depreciation of property, plant and equipment	**290,201**	295,265
Amortisation of prepaid land lease payments	**6,942**	4,838
Amortisation of coal mining rights	**–**	2,721
Depreciation of right-of-use assets	**23,474**	–
Lease payment	**26**	1,319
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	**369,212**	274,876
Contributions to defined contribution plans	**43,833**	36,203
Welfare expenses	**21,095**	18,338
	434,140	329,417
Auditors' remuneration	**767**	1,000
Loss on disposal of items of property, plant and equipment	**5,128**	3,417

7. INCOME TAX EXPENSE

The Company is incorporated in Singapore and is subject to an income tax rate of 17% for the six months ended 30 June 2019 (six months ended 30 June 2018: 17%).

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 income tax rate of 25% (2018: 25%). For the six months ended 30 June 2019, four subsidiaries were given the New/High Technology Enterprise Award and this award brought these subsidiaries a tax concession of a lower income tax rate of 15%.

The major components of income tax expense for the six months ended 30 June 2019 and 2018 are:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**83,381**	61,977
Deferred	**(12,971)**	–
Total tax charge for the period	**70,410**	61,977

8. DIVIDEND

Final dividend of RMB119,146,000 for the year ended 31 December 2018 (year ended 31 December 2017: RMB85,500,000) was proposed during the six months ended 30 June 2019.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2018: 1,171,621,000) 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 2019 and 2018 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 RMB677,186,965 and RMB353,335,308 (six months ended 30 June 2018: RMB608,145,000 and RMB197,600,000), respectively.

11. PREPAYMENTS

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of items of property, plant and equipment	**662,782**	489,348
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**359,203**	530,686
Current portion of prepaid land lease payments	**–**	17,753
Other prepayments	**–**	3,965
	359,203	552,404

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	RMB'000	*RMB'000*
NON-CURRENT		
Unlisted equity investment at fair value:		
PRC	**6,708**	6,708
CURRENT		
Listed equity investment, at fair value:		
Singapore	**1,716**	2,678
Hong Kong	**25,245**	34,500
Other unlisted debt investment, at fair value:		
PRC	**68,296**	—
	95,257	37,178

The above investment in equity securities have no fixed maturity or coupon rate.

13. INVENTORIES

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	RMB'000	*RMB'000*
Raw materials	**350,025**	549,440
Parts and spares	**132,663**	116,035
Finished goods	**356,561**	401,378
	839,249	1,066,853

14. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Trade receivables	**201,384**	96,899
Bills receivable	**201,240**	234,232
	402,624	331,131

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

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

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 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Within 1 month	**88,689**	62,991
1 to 3 months	**74,933**	21,630
3 to 6 months	**15,093**	6,120
6 to 12 months	**17,188**	2,149
Over 12 months	**5,481**	4,009
	201,384	96,899

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Fixed deposits	**1,027,500**	258,839
Less: Pledged time deposits	**(1,027,500)**	(258,839)
Cash at banks and on hand	**1,179,078**	346,151
Cash and cash equivalents	**1,179,078**	346,151

As at 30 June 2019, the cash and bank balances of the Group denominated in RMB amounted to RMB1,179,078,000 (31 December 2018: RMB337,267,000). 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 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Within 1 month	**159,023**	141,879
1 to 3 months	**82,934**	58,442
3 to 6 months	**27,490**	40,331
6 to 12 months	**10,454**	22,249
Over 12 months	**29,754**	19,924
	309,655	282,825

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 2019			31 December 2018		
	Contractual interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual interest rate	Maturity	*RMB'000* (Audited)
CURRENT						
Bank loans						
– secured	**3.30% to 6.00%**	**2019 to 2020**	**604,480**	4.35% to 6.58%	2019	200,428
– unsecured	**4.75% to 6.53%**	**2019 to 2020**	**2,534,551**	4.00% to 6.00%	2019	2,481,797
Finance lease payables			**139,380**		2019	92,227
Loan from the government		**2020**	**909**			–
			3,279,320			2,774,452
NON-CURRENT						
Bank loans						
– secured	**5.00% to 6.00%**	**2020**	**28,820**	–	–	–
– unsecured	**3.10% to 6.18%**	**2021 to 2026**	**3,025,438**	4.50% to 6.18%	2020 to 2022	2,422,331
Loan from the government			**–**	Floating rate at 0.3% above the market prime lending rate	2020	1,818
Finance lease payables			**406,714**		2020 to 2021	144,290
			3,460,972			2,568,439
			6,740,292			5,342,891

17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,139,940**	2,682,225
In the second year	**1,428,758**	1,852,543
In the third to fifth years, inclusive	**1,447,220**	569,788
Beyond five years	**178,280**	–
	6,194,198	5,104,556
Loan from government in the second year	**—**	1,818
Finance lease payables:		
Within one year or on demand	**139,380**	92,227
In the second year	**206,962**	99,782
In the third to fifth years, inclusive	**199,752**	44,508
	546,094	236,517
	6,740,292	5,342,891

Notes:

(a) The secured bank loans amounting to RMB60 million 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% (2018: 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 capitalised interest expenses (2018: 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 at the end of the reporting period:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Capital commitments		
Contracted, but not provided for:		
Buildings	**811,821**	731,998
Plant and machinery	**2,003,775**	1,951,351
Coal mines	**6,270**	9,903
	2,821,866	2,693,252
Other commitments		
Purchases of raw materials	**489,471**	793,264

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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of electricity, water and steam to:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**202**	112
Service fee income for provision of calibration and testing services to:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**–**	6
Operating lease income from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**19**	–
Purchases of equipment and service fee expenses from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**30,199**	–
Purchase of raw materials and consumables from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**–**	26,221
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	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fees	**525**	400
Salaries and bonuses	**4,554**	6,900
Contributions to defined contribution plans	**122**	122
Total compensation paid to key management personnel	**5,201**	7,422

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 2019 ("**1H2019**") increased by approximately RMB197 million or 4% from approximately RMB4,599 million for the half year ended 30 June 2018 ("**1H2018**") to approximately RMB4,796 million for 1H2019. The increase was mainly due to the increase in revenue derived from the sale of compound fertiliser, melamine, urea, DME and liquid ammonia. The increase in revenue was partially offset by the decrease in revenue derived from sales of methanol and furfuryl alcohol.

Urea

Revenue derived from the sales of urea increased by approximately RMB72 million or 3.9% from approximately RMB1,837 million for 1H2018 to approximately RMB1,909 million for 1H2019 mainly due to the increase in average selling price by approximately 3.9%. The increase in average selling prices was mainly driven by selling higher percentage of high-efficiency urea. The sales volume of urea remained relatively the same year-on-year ("**YoY**") for 1H2019.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB132 million or 9% from approximately RMB1,454 million for 1H2018 to RMB1,586 million for 1H2019. Such increase was due mainly to the increase in average selling price by approximately 8.3%. The increase in average selling price primarily resulted from selling higher percentage of high-efficiency fertilisers and a general increase in the costs of raw materials, such as potassium and phosphate.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB217 million or 83% from approximately RMB261 million for 1H2018 to approximately RMB44 million for 1H2019, as the Group chose to further process methanol products into DME products, which have higher profit margin, leading to the substantial decrease in the sales volume of methanol to external parties by approximately 79% YoY for 1H2019. In addition, the average selling price of methanol for 1H2019 decreased by approximately 18% YoY, which was in line with the overall price decline in petrochemicals products.

(I) BUSINESS REVIEW *(Continued)*

Melamine

Revenue derived from the sales of melamine increased by approximately RMB131 million or 55% from approximately RMB237 million for 1H2018 to approximately RMB368 million for 1H2019 mainly due to the increase in sales volume by 101%. In July 2018, the Group's melamine project Phase II in Xinjiang Plant V with an annual production capacity of 60,000 tons successfully commenced operation, enabling the Group's total annual melamine production increase to 120,000 tons. The increase in sales volume was partially offset by the decrease in average selling price of melamine by approximately 23% YoY.

Furfuryl Alcohol

Revenue derived from the sales of furfuryl alcohol decreased by approximately RMB72 million or 26% from approximately RMB273 million for 1H2018 to approximately RMB201 million for 1H2019. The decrease was mainly due to the decrease in average selling prices of furfuryl alcohol by approximately 32% YoY as a result of the oversupply in the market and a decline in cost of the raw materials. This was partially offset by the increase in sales volume of approximately 11% YoY to approximately 22,000 tons for 1H2019.

Dimethyl Ether (DME)

Revenue derived from the sales of DME increased by approximately RMB65 million or 17% from approximately RMB393 million for 1H2018 to approximately RMB458 million for 1H2019. This was due mainly to the increase in sales volume and the annual production capacity of 200,000 tons from the Group's Phase II DME project in Xinxiang, Henan Province, which commenced operations in July 2018. This brought the Group's total DME annual capacity to 400,000 tons.

Gross profit margin

Overall gross profit margin increased from approximately 23% in 1H2018 to approximately 23.3% in 1H2019 mainly due to the increase in the gross profit margins for urea and compound fertiliser while being partially offset by the decrease in the gross profit margins for methanol, furfuryl alcohol, melamine, liquid ammonia.

Urea

Gross profit margin of urea increased from approximately 30% in 1H2018 to approximately 32% in 1H2019 due mainly to the increase in average selling prices by approximately 4% resulted from the continuous increase in percentage of the Group's sales of high-efficiency fertilisers.

Compound fertiliser

Gross profit margin of compound fertiliser increased from approximately 12.9% in 1H2018 to approximately 14.9% in 1H2019. This was due to the increase in average selling price resulted from a higher percentage of high-efficiency fertilisers sold. Although raw material costs also increased during the period, the increase in average selling price was higher by 3 percentage points.

Methanol

Gross profit margin of methanol further decreased from approximately 13.8% in 1H2018 to approximately 4.3% in 1H2019 due to the overall price decline in petrochemicals products. During the period, the Group continue to process methanol products into DME products and maintained relationship with the most strategic customers only. Average selling price and cost of methanol decreased by approximately 18% and 9% respectively during the period.

Melamine

Gross profit margin of melamine decreased from approximately 54.5% in 1H2018 to approximately 37.8% in 1H2019. The decrease was mainly due to the decrease in average selling price of melamine by approximately 22.8% in 1H2019 and the increase in average cost of sales by approximately 5.6% as a result of higher coal prices.

(I) BUSINESS REVIEW *(Continued)*

Furfuryl Alcohol

Gross profit margin of furfuryl alcohol decreased from approximately 9.7% in 1H2018 to approximately 7.6% in 1H2019. This was due mainly to a decrease in the average selling price as a result of the declined demand in the market which is partially set off by decline in cost of the raw materials.

Dimethyl Ether (DME)

The gross profit margin for DME decreased from approximately 24.7% in 1H2018 to approximately 9.7% in 1H2019 as a result of decrease in average selling price by approximately 18.3% which is in line with the weakened international energy prices. The Group adjusted the product mix and maximised the capacity utilization rate of DME facilities based on the profitability between DME and methanol products considering that the gross profit margin of DME is 5% point higher than the gross profit margin of methanol products.

Other income/(expenses), net

Other income increased to approximately RMB32 million in 1H2019 from net expenses of approximately RMB61 million in 1H2018. This was due mainly to the impairment loss on property, plant and equipment, exchange losses and loss on disposal of items of property, plant and equipment by approximately RMB77 million, RMB7 million and RMB3 million respectively recorded in 1H2018. The impairment loss on assets was mainly derived from the Group's shuts-down of its first production line and established a new advanced coal gasification production line in late 2018 in its industrial park in Henan. For 1H2019, other income mainly comprised of net income from sales of by-products, fair value changes, interest income, rental income and subsidy income of approximately RMB27 million, RMB19 million, RMB10 million, RMB7 million and RMB2 million respectively.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB61 million or 32% from approximately RMB191 million in 1H2018 to RMB252 million in 1H2019. This was due mainly to increase in transportation expenses and traveling and meal expenses by RMB49 million and RMB3 million respectively.

General and administrative expenses

General and administrative expenses increased by approximately RMB101 million or 45% from approximately RMB224 million in 1H2018 to RMB325 million in 1H2019. The increase was mainly due to the increase in staff salaries by RMB11 million, depreciation by RMB8 million, consultation fees by RMB9 million, environmental safety expenses by RMB6 million, repair and maintenance expenses by RMB5 million, traveling expenses by RMB5 million, social security contribution by RMB5 million and social insurance by RMB5 million, research and development expenses by RMB4 million.

Finance costs

Finance costs increased by approximately RMB24 million or 15% from approximately RMB161 million in 1H2018 to RMB185 million in 1H2019, which was mainly due to the increase in amount of the Group's interest bearing borrowings.

Income tax expense

Income tax expense increased by approximately RMB8 million or 13.6% from approximately RMB62 million in 1H2018 to RMB70 million in 1H2019.

Profit for the period

The profit for the period decreased by approximately RMB44 million or 12.1% from approximately RMB361 million in 1H2018 to RMB317 million in 1H2019. This was mainly due to the increase in selling and distribution expenses, general and administration expenses, finance costs and income tax expenses by approximately RMB61 million, RMB101 million, RMB24 million and RMB8 million respectively. The increase in costs and expenses was partially offset by the increase in gross profit of approximately RMB58 million and other income of approximately RMB93 million.

(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 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade payables	**309,655**	282,825
Bills payable	**782,662**	280,105
Contract liabilities	**337,878**	689,951
Accruals and other payables	**1,149,744**	1,185,463
Amounts due to related companies	**8,444**	21,052
Loan from a non-controlling interest	**75,500**	75,500
Interest-bearing bank and other borrowings	**6,740,292**	5,342,891
Bonds payable	**693,605**	692,833
Lease liabilities	**220,666**	–
Less: Cash and cash equivalents	**(1,179,078)**	(346,151)
Less: Pledged time deposits	**(1,027,500)**	(258,839)
Net debt	**8,111,868**	7,965,630
Equity attributable to owners of the parent	**4,055,937**	3,921,814
Less: Statutory reserve fund	**(84,498)**	(45,753)
Total capital	**3,971,439**	3,876,061
Capital and net debt	**12,083,307**	11,841,691
Gearing ratio	**67.13%**	67.27%

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

(III) PROSPECTS

Recent economic environments both within and outside China have become increasingly complex and challenging, and international energy prices have been persistently weak. This contributed to the low prices of petrol chemical products such as methanol, DME and melamine. As we move into winter in the second half of the year, it will be the high season for demand for energy and energy related petrol chemical products.

Following urea industry's rapid market consolidation, the Group expects demand and supply of urea products to remain stable and hence may provide price support for urea in China. Chinese government's land reclamation policies have been steadily implemented in the country. This is expected to further propel modernisation of China's agriuculture industry. The Group will take this opportunity to further develop product differentiation strategy, strengthen research and promotion of the high efficient fertiliser, improve our services to agriculture industry, and elevate the Group's competitiveness in the market.

Currently, the Group's relocation of the production facilities to the new industrial parks in Xinxiang Henan, and the building and installation of its Jiangxi production base are steadily progressing according to plans. Jiangxi production base is expected to complete and commence testing in the second half of next year. This will further strengthen the Group's economy of scale and cost competitiveness.

(IV) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

(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 2.2% in the six months ended 30 June 2019 as compared to an increase of 2.3% in the same period in 2018. Such inflation in the PRC did not have a significant impact on the Group's operating results.

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 30 June 2019, approximately RMB3,279 million (31 December 2018: RMB2,774 million), or 31.19% (31 December 2018: 46%) 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.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

(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 2018 and 2019. The gearing ratio of the Group as at 30 June 2019 (calculated as net debt divided by the sum of total capital plus net debt) was 67.13%, representing a decrease of 0.1 percentage points as compared to 31 December 2018.

2. Contingent Liabilities

As at 30 June 2019, the Group had no material contingent liabilities (2018: Nil).

3. Material Litigation and Arbitration

As at 30 June 2019, the Group was not involved in any material litigation or arbitration (2018: Nil).

4. 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 2019 have been reviewed by the Audit Committee.

5. 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 2019.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

6. 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 2019, all directors have complied with the required standards of the Model Code.

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

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company.

8. Employees and Remuneration Policy

As at 30 June 2019, there were 7,124 (2018: 5,965) 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.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

9. 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

30 August 2019

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*