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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 2020

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 2020 ("**1H2020**") together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) RMB'000	2019 (Unaudited) RMB'000
REVENUE	4	**4,939,764**	4,796,494
Cost of sales		**(3,877,460)**	(3,678,653)
Gross profit		**1,062,304**	1,117,841
Other income/(expense), net	4	**79,962**	31,896
Selling and distribution expenses		**(301,242)**	(251,991)
General and administrative expenses		**(316,774)**	(324,902)
Finance costs	5	**(201,949)**	(184,974)
PROFIT BEFORE TAX	6	**322,301**	387,870
Income tax expense	7	**(58,033)**	(70,410)
PROFIT FOR THE PERIOD		**264,268**	317,460
OTHER COMPREHENSIVE INCOME			
Financial assets at fair value through other comprehensive income			
Change in fair value		–	1,657
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		–	1,657
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**264,268**	319,117
Profit attributable to:			
Owners of the parent		**180,143**	251,612
Non-controlling interests		**84,125**	65,848
		264,268	317,460
Total comprehensive income attributable to:			
Owners of the parent		**180,143**	253,269
Non-controlling interests		**84,125**	65,848
		264,268	319,117
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	9	**15.38**	21.48

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 2020

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**12,444,279**	10,474,752
Goodwill		**29,001**	29,001
Coal mining rights	*10*	**83,219**	86,180
Equity investment at fair value through profit or loss	*12*	**6,708**	6,708
Deferred tax assets		**93,782**	93,860
Prepayments for purchases of items of plant and equipment	*11*	**754,513**	844,713
Prepayments to related companies		**13,935**	33,788
Right of use asset		**1,093,866**	1,079,808
Other intangible assets		**34,686**	46,883
Other assets		**146,251**	100,877
Investment in an associate		**238,619**	16,993
Total non-current assets		**14,938,859**	12,813,563
CURRENT ASSETS			
Equity investments at fair value through profit or loss	*12*	**19,350**	20,903
Due from related companies		**14,439**	745
Inventories	*13*	**773,589**	983,604
Derivative financial instruments		**–**	1,358
Trade and bills receivables	*14*	**502,723**	393,419
Prepayments	*11*	**319,666**	402,564
Deposits and other receivables		**504,569**	454,609
Income tax recoverable		**11,818**	22,865
Other assets		**13,440**	13,441
Pledged time deposits	*15*	**867,053**	499,346
Cash and cash equivalents	*15*	**1,190,893**	884,448
Total current assets		**4,217,540**	3,677,302
Total assets		**19,156,399**	16,490,865
CURRENT LIABILITIES			
Due to related companies		**12,019**	6,092
Trade payables	*16*	**400,788**	366,636
Bills payable		**1,202,409**	809,050
Bonds payable		**500,000**	500,000
Contract liabilities		**284,305**	582,181
Accruals and other payables		**1,561,246**	1,091,793
Income tax payable		**27,624**	29,720
Deferred grants		**7,976**	7,976
Loans from a non-controlling interest		**25,000**	25,000
Interest-bearing bank and other borrowings	*17*	**3,739,761**	2,774,169
Lease liabilities		**103,637**	102,887
Total current liabilities		**7,864,765**	6,295,504
NET CURRENT LIABILITIES		**(3,647,225)**	(2,618,202)
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,291,634**	10,195,361

	Notes	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Loan from a non-controlling interest		**23,670**	23,670
Due to related companies		**–**	1,451
Interest-bearing bank and other borrowings	*17*	**4,476,959**	3,739,087
Deferred grants		**81,943**	69,253
Deferred tax liabilities		**25,715**	52,715
Provision for rehabilitation		**24,276**	24,276
Accruals and other payables		**86,911**	107,019
Lease liabilities		**51,436**	67,513
Bonds payable		**491,205**	388,697
Total non-current liabilities		**5,262,115**	4,473,681
Total liabilities		**13,126,880**	10,769,185
NET ASSETS		**6,029,519**	5,721,680
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,194,686**	1,194,686
Statutory reserve fund		**145,518**	145,518
Special reserve		**2,433**	2,433
Other reserve		**2,176,500**	2,176,500
Retained profits		**802,517**	716,104
		4,321,654	4,235,241
Non-controlling interests		**1,707,865**	1,486,439
Total equity		**6,029,519**	5,721,680

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Group

	Share capital *RMB'000*	Statutory reserve fund *RMB'000*	Other reserve *RMB'000*	Special fund *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
(Unaudited)								
As at 1 January 2020	**1,194,686**	**145,518**	**2,176,500**	**2,433**	**716,104**	**4,235,241**	**1,486,439**	**5,721,680**
Profit for the period	–	–	–	–	**180,143**	**180,143**	**84,125**	**264,268**
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	**200,000**	**200,000**
Payment of final 2019 dividend	–	–	–	–	–	–	**(62,699)**	**(62,699)**
2019 proposed dividend	–	–	–	–	**(93,730)**	**(93,730)**	–	**(93,730)**
As at 30 June 2020	**1,194,686**	**145,518**	**2,176,500**	**2,433**	**802,517**	**4,321,654**	**1,707,865**	**6,029,519**

For the six months ended 30 June 2019

	Share capital *RMB'000*	Statutory reserve fund *RMB'000*	Other reserve *RMB'000*	Special reserve-fund *RMB'000*	Fair value adjustment reserve *RMB'000*	Retained profits *RMB'000*	Non-controlling interests *RMB'000*	Total equity *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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2020

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 Group has adopted the following standards and interpretation applicable to the Group that have been issued:

Description	*Effective for annual periods beginning on or after*
IFRS 17 Insurance Contracts	1 January 2020
Amendments to IFRS 3 : Definition of a Business	1 January 2020
Amendments to IFRS 1 and IFRS 8 : Definition of Material	1 January 2020

The directors expect that the adoption of the other standards and interpretation above will have no material impact on the financial statements in the period of initial application.

3. OPERATING SEGMENT INFORMATION

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

- Manufacturing and sale of urea
- Manufacturing and sale of urea solution for vehicle
- 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 2020

REVENUE	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*	Urea solution for vehicle (unaudited) *RMB'000*	Others (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Sales to external customers	1,570,032	1,746,402	160,825	316,758	227,010	344,811	255,849	318,077	4,939,764
Total revenue	1,570,032	1,746,402	160,825	316,758	227,010	344,811	255,849	318,077	4,939,764
Segment profit	421,091	304,643	(3,716)	97,878	29,729	19,487	96,315	96,877	1,062,304
Interest Income									4,963
Unallocated expenses									(543,017)
Finance costs									(201,949)
Profit before tax									322,301
Income tax expense									(58,033)
Profit for the period									264,268

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

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*	Urea solution for vehicle (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	23,342	207,264	4,796,494
Total revenue	1,909,162	1,585,621	44,187	368,064	201,176	457,178	23,342	207,264	4,796,494
Segment profit	608,967	236,209	1,908	139,038	15,222	44,333	4,299	67,865	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

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**4,939,764**	4,796,494

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**4,964**	10,245
Net profit from sales of by-products	**22,421**	27,334
Service fee income	**9,389**	6,561
Penalty income	**5,126**	1,120
Subsidy income	**2,977**	1,920
Investment income	**2,106**	24,938
Compensation income	**2,617**	5,893
Profit on disposal of spare parts and others	**14,108**	–
Profit on disposal of items of property, plant and equipment	**14,092**	–
Others	**12,551**	4,080
	90,351	82,091
Other expenses		
Loss on impairment of property, plant and equipment	**(1,917)**	(12,683)
Loss on disposal of items of property, plant and equipment	**–**	(5,128)
Exchange loss, net	**–**	(1,776)
Loss on fair value change of derivative financial instrument	**–**	(18,640)
Loss on fair value change of equity investment	**(1,553)**	(9,921)
Donation	**(4,521)**	–
Others	**(2,398)**	(2,047)
	(10,389)	(50,195)
Other income/(expenses)	**79,962**	31,896

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**201,949**	184,767
Interest on bank loans, overdrafts and other loans, wholly repayable after five years	**–**	207
	201,949	184,974

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**3,877,460**	3,678,653
Depreciation of property, plant and equipment	**365,229**	290,201
Amortisation of prepaid land lease payments	–	6,942
Depreciation of right-of-use assets	**24,098**	23,474
Lease payment	–	26
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	**335,250**	369,212
Contributions to defined contribution plans	**43,750**	43,833
Welfare expenses	**26,610**	21,095
	405,610	434,140
Auditors' remuneration	–	767
Loss on disposal of items of property, plant and equipment	–	5,128

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 2020 (six months ended 30 June 2019: 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% (2019: 25%). For the six months ended 30 June 2020, 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 2020 and 2019 are:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**58,033**	83,381
Deferred	**–**	(12,971)
Total tax charge for the period	**58,033**	70,410

8. DIVIDEND

Final dividend of RMB93,730,000 for the year ended 31 December 2019 (year ended 31 December 2018: RMB117,162,000) was proposed during the six months ended 30 June 2020.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2019: 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 2020 and 2019 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 RMB1,903,125,000 and RMB16,348,000 (six months ended 30 June 2019: RMB677,186,965 and RMB353,335,308), respectively.

11. PREPAYMENTS

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of items of property, plant and equipment	**754,513**	844,713
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**287,790**	386,887
Current portion of prepaid land lease payments	**–**	–
Other prepayments	**31,876**	15,677
	319,666	402,564

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
NON-CURRENT		
Unlisted equity investment at fair value:		
PRC	**6,708**	6,708
CURRENT		
Listed equity investment, at fair value:		
Singapore	**3,194**	3,194
Hong Kong	**16,156**	17,709
Other unlisted debt investment, at fair value:		
PRC	**–**	–
	19,350	20,903

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

13. INVENTORIES

	30 June 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Raw materials	**349,766**	402,599
Parts and spares	**102,322**	130,101
Finished goods	**322,944**	452,347
Allowance of inventory obsolescence	**(1,443)**	(1,443)
	773,589	983,604

14. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Trade receivables	**278,453**	148,006
Bills receivable	**224,270**	245,413
	502,723	393,419

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 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Within 1 month	**137,490**	90,899
1 to 3 months	**77,540**	25,693
3 to 6 months	**22,820**	13,738
6 to 12 months	**29,760**	10,458
Over 12 months	**10,843**	7,218
	278,453	148,006

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
	RMB'000	*RMB'000*
Fixed deposits	**867,053**	499,346
Less: Pledged time deposits	**(867,053)**	(499,346)
Cash at banks and on hand	**1,190,893**	884,448
Cash and cash equivalents	**1,190,893**	884,448

As at 30 June 2020, the cash and bank balances of the Group denominated in RMB amounted to RMB1,164,325,000 (31 December 2019: RMB863,666,000). 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.

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS *(Continued)*

	30 June 2020			31 December 2019		
	Contractual Interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual Interest rate	Maturity	*RMB'000* (Audited)
Group						
Current						
Bank loans						
– secured	**4.35%-4.75%**	**2021**	**300,000**	4.35%-6.35%	2020	244,223
– unsecured	**2.90%-6.18%**	**2021**	**3,319,761**	3.63%-6.18%	2020	2,346,561
Loan from to government						
– unsecured	**–**	**–**	**–**	Floating rate at 0.3% above the market prime lending rate	2020	909
Loan from leasing company/ finance lease payables	**4.75%**	**2021**	**120,000**	4.75%	2020	182,476
			3,739,761			2,774,169
Non-current						
Bank loans						
– secured	**6.00%**	**2027**	**600,000**			10,000
– unsecured	**4.75%-6.18%**	**2021 to 2027**	**3,153,712**	4.75%-6.18%	2021 to 2026	3,413,988
Loan from the government						
– unsecured			**–**			–
Loan from leasing company/ finance lease payables	**4.75%-6.83%**	**2021 to 2023**	**723,247**	4.75%	2021 to 2022	315,099
			4,476,959			3,739,087
			8,216,720			6,513,256

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 2020 (Unaudited) ***RMB'000***	31 December 2019 (Audited) *RMB'000*
Within 1 month	**233,573**	157,435
1 to 3 months	**74,039**	92,956
3 to 6 months	**27,661**	51,156
6 to 12 months	**30,070**	42,167
Over 12 months	**35,445**	22,922
	400,788	366,636

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 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,619,761**	2,590,784
In the second year	**1,437,738**	2,486,204
In the third to fifth years, inclusive	**1,659,974**	896,784
Beyond five years	**656,000**	41,000
	7,373,473	6,014,772
Loan from government within on year or on demand	**–**	909
Finance lease payables:		
Within one year or on demand	**120,000**	182,476
In the second year	**557,349**	119,355
In the third to fifth years, inclusive	**165,898**	195,744
	843,247	497,575
	8,216,720	6,513,256

Note:

(a) The secured bank loans amounting to RMB900 million are secured by certain of the Group's items of property, plant and equipment.

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 capitalised interest expenses RMB49,545,000 (2019: 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

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Capital commitments		
Contracted, but not provided for:		
Buildings	**1,044,232**	826,213
Plant and machinery	**2,041,681**	2,919,181
Coal mines	**30,602**	15,408
	3,116,515	3,760,802
Other commitments		
Purchases of raw materials	**1,177,337**	812,342

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	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of electricity, water and steam to:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**688**	202
Operating lease income from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**84**	19
Purchases of equipment and service fee expenses from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**32,218**	30,199
Operating lease expenses to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.#	**–**	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.

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fees	**525**	525
Salaries and bonuses	**2,792**	4,554
Contributions to defined contribution plans	**167**	122
Total compensation paid to key management personnel	**3,484**	5,201

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

With the Novel Coronavirus ("**COVID-19**") pandemic generally under control in the PRC since April 2020 and the transportation for goods and cargo largely restored to normal, the Group's performance has correspondingly rebounded. The performance of the Group for the first half of 2020 was better than that for the 3 months ended 31 March 2020.

The unaudited consolidated revenue of the Group increased by approximately 3% from approximately RMB4,796 million for the half year ended 30 June 2019 ("**1H2019**") to approximately RMB4,940 million for 1H2020. The unaudited consolidated net profit of the Group decreased by approximately RMB53 million or 17% from approximately RMB317 million for 1H2019 to approximately RMB264 million for 1H2020. The unaudited total comprehensive income attributable to the owners of the parent decreased by approximately RMB72 million or 28% from approximately RMB252 million for 1H2019 to approximately RMB180 million for 1H2020.

Urea

Revenue derived from the sales of urea decreased by approximately RMB316 million or 17% from 1,886 million for 1H2019 to approximately RMB1,570 million for 1H2020. This was due mainly to the decrease in sales volume and the average selling price of urea products of the Group by approximately 5% and 12% year on year ("**YoY**") respectively. Sales volume of urea for 1H2020 was approximately 992,000 tons. Under the premise of maintaining full production of the urea production line, the Group actively adjusted products combination according to changing market demands, reducing the external sales of urea and thus increasing the production and the sales of compound fertilisers and urea solution for vehicle.

Gross profit margin of urea of the Group decreased to approximately 26.8% for 1H2020 from approximately 32.1% for 1H2019.

(I) BUSINESS REVIEW *(Continued)*

Urea Solution For Vehicle

Revenue derived from the sales of urea solution for vehicle increased by approximately RMB233 million or 996% from approximately RMB23.3 million for 1H2019 to approximately RMB255.8 million for 1H2020. The Group recorded a rapid increase in the sales of urea solution for vehicle since the second half of 2019, as we developed and strengthened our selling and distribution network in view of the increased market demand due to the enhanced emission control requirements. In May 2020, PRC government announced further control measures of motor vehicle emission standards which came into effect on 1 July 2020. Urea solution can be used as exhaust treatment fluid for diesel motor vehicles to reduce particles emission. Hence, it is expected that the market for urea solution for vehicle will further expand.

Gross profit margin of sales of urea solution for vehicle increased by approximately 19 percentage points from approximately 18.4% for 1H2019 to 37.7% for 1H2020.

Compound Fertilisers

Revenue derived from the sales of compound fertilisers increased by approximately RMB161 million or 10% from approximately RMB1,586 million for 1H2019 to approximately RMB1,746 million for 1H2020, due mainly to the increase in sales volume by approximately 17% as we strengthened our sales network. The sales volume of compound fertilisers increased to 866,000 tons for 1H2020.

Gross profit margin of compound fertilisers of the Group increased to approximately 17.4% in 1H2020 from approximately 14.9% in 1H2019. The increase was mainly due to the decrease in average cost of raw material, such as phosphate and potash fertilizers, by approximately 9% and the increase in the sales of high-efficient fertilisers.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB117 million or 264% from approximately RMB44 million for 1H2019 to approximately RMB161 million for 1H2020. The increased sales of methanol mainly derived from the new capacity from Xinjiang production base.

(I) BUSINESS REVIEW *(Continued)*

Methanol *(Continued)*

Gross profit margin of methanol of the Group decreased to approximately negative 2.3% for 1H2020 from approximately 4.3% for 1H2019. This was due mainly to the weakened international energy prices which in turn caused the drop in the average selling price of methanol by approximately 35% and such drop was greater than the drop in the average production cost (purchase price of coal) of methanol.

Dimethyl Ether (DME)

Revenue derived from the sales of DME decreased by approximately RMB113 million or 25% from RMB458 million for 1H2019 to approximately RMB345 million for 1H2020. The decrease was due mainly to a decrease in the average selling price and selling volume of DME by 15% and 11% respectively YoY which was in line with the weakened international energy prices.

Gross profit margin of DME of the Group decreased by approximately 4 percentage point to approximately 5.7% for 1H2020 from approximately 9.7% for 1H2019. This was a result of a larger decrease in the average selling price of DME of 15% as compared to a 12% decrease in the average production cost.

Melamine

Revenue derived from the sales of melamine decreased by approximately RMB51 million or 14% from RMB368 million for 1H2019 to approximately RMB317 million for 1H2020. The decrease was due mainly to a decrease in the average selling price of melamine by 15% YoY which was largely the result of the weakened demand in domestic chemical products and the negative impact from the outbreak of COVID-19.

Gross profit margin of melamine of the Group decreased by approximately 7 percentage points to approximately 30.9% for 1H2020 from approximately 37.8% for 1H2019. Under the context that the melamine producers in the PRC have generally recorded losses, the Group leveraged on its technology advantage and cost advantages and managed to maintain the gross profit margin of melamine products above 30%.

(I) BUSINESS REVIEW *(Continued)*

Furfuryl Alcohol

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB26 million or 13% from approximately RMB201 million for 1H2019 to approximately RMB227 million for 1H2020. The increase in sales revenue was due mainly to the increase of sales volume of approximately 23% YoY to 26,626 tons for 1H2020, which was partially offset by a drop in average selling price of furfuryl alcohol products by approximately 8% YoY.

Gross profit margin of furfuryl alcohol products increased by approximately 6 percentage points from approximately 7.6% for 1H2019 to 13.1% for 1H2020. By leveraging on its scale advantages, implemented technological transformation and taking advantage of the reduction in the purchase cost of the main raw material (furfural), the Group reduced the cost of sales of furfuryl alcohol by approximately 13% YoY. The reduction was substantially greater than the drop in furfuryl alcohol selling price.

Other (expenses)/income

Other income increased by approximately RMB48 million or approximately 151% from approximately RMB32 million in 1H2019 to approximately RMB80 million in 1H2020. This was mainly due to the increase in profit on disposal of items of property, plant and equipment by approximately RMB33 million, and decrease in loss on fair value change of derivative financial instrument and loss on fair value change of equity investment by approximately RMB19 million and RMB9 million respectively.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB49 million or 20% from approximately RMB252 million in 1H2019 to approximately RMB301 million in 1H2020. Such increase was due mainly to approximately RMB22 million increase in staff selling commission for the increased sales volume of compound fertilisers and approximately RMB21 million increase in transportation expenses due to additional logistics and transportation costs as a result of the epidemic prevention and control measures.

(I) BUSINESS REVIEW *(Continued)*

General and administrative expenses

General and administrative expenses decreased by approximately RMB8 million or 3% from approximately RMB325 million in 1H2019 to RMB317 million in 1H2020, which due mainly to the decrease of entertainment expenses and professional fees by approximately RMB5 million and RMB3 million respectively.

Finance costs

Finance costs increased by approximately RMB17 million or 9% from approximately RMB185 million in 1H2019 to approximately RMB202 million in 1H2020, 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 decreased by approximately RMB12 million or 18% from approximately RMB70 million in 1H2019 to RMB58 million in 1H2020 due to lower profits.

Profit for the period

The profit for the period decreased by approximately RMB53 million or 17% from approximately RMB317 million in 1H2019 to approximately RMB264 million in 1H2020. This was mainly due to the decrease in gross profit and increase in selling and distribution expense of approximately RMB56 million and RMB49 million respectively. The decrease in profit for the period was partially offset by the increase in other income of approximately RMB48 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 2020 *RMB'000*	31 December 2019 *RMB'000*
Trade payables	**400,788**	366,636
Bills payable	**1,202,409**	809,050
Contract liabilities	**284,305**	582,181
Accruals and other payables	**1,561,246**	1,198,812
Amounts due to related companies	**12,019**	7,543
Loan from a non-controlling interest	**48,670**	48,670
Interest-bearing bank and other borrowings	**8,216,720**	6,513,256
Bonds payable	**991,205**	888,697
Lease liabilities	**155,073**	170,400
Less: Cash and cash equivalents	**(1,190,894)**	(884,448)
Less: Pledged time deposits	**(867,053)**	(499,356)
Net debt	**10,814,488**	9,201,451
Equity attributable to owners of the parent	**4,321,654**	4,235,241
Less: Statutory reserve fund	**(145,518)**	(145,518)
Total capital	**4,176,136**	4,089,723
Capital and net debt	**14,990,624**	13,291,174
Gearing ratio	**72.14%**	69.23%

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) MATERIAL ACQUISITION AND DISPOSAL

On 24 February 2020, Henan Qingli Energy Co., Ltd., ("**Qingli Energy**"), a wholly-owned subsidiary of the Company, entered into the Subscription Agreement and the Share Transfer Agreements with each of Xinxiang Ruicheng Technology Co., Ltd. (the "**Ruicheng Tech**") and its 26 shareholders, respectively, pursuant to which Qingli Energy proposed to subscribe for and acquire a total of 31,875,000 shares in Ruicheng Tech, representing 51% of the enlarged total share capital of Ruicheng Tech, for an aggregate consideration of RMB141,525,000. Ruicheng Tech is principally engaged in the research and development, production and sales of pharmaceutical intermediates and nucleoside products and its shares are listed on the National Equities Exchange and Quotations since April 2016. In June 2020, the transactions contemplated under the Subscription Agreement and the Share Transfer Agreements completed and Ruicheng Tech became a subsidiary owned as to 51% by the Company. Please refer to the announcements of the Company dated 24 February 2020 and 1 July 2020 for further details of the transactions.

On 19 June 2020, the Company and its subsidiary, Henan Xinlianxin Chemicals Group Co., Ltd.("**Henan XLX**"), entered into the Investment Agreement with Central SOEs Industrial Investment Fund for Poor Area Co., Ltd. (the "**Investor**") pursuant to which the Investor as a strategic investor proposed to subscribe for and Henan XLX proposed to issue 50,000,000 shares, representing approximately 2.638% of the total registered capital of Henan XLX upon completion of the Investment Agreement, for an aggregate subscription price of RMB200,000,000. The Investor is a fund initiated by the Ministry of Finance of the PRC and under the direct supervision of the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council of the PRC. It has assets under management (AUM) of more than RMB30 billion which was funded by over 90 prominent State-owned enterprises. The subscription completed in June 2020. Please refer to the announcements of the Company dated 19 June 2020 and 1 July 2020 for further details of the transactions.

(IV) PROSPECTS

The domestic and international economic environment has become more complex and volatile recently. Not to mention the continued weakness of international energy prices and the impact of the COVID-19 epidemic. All of these have led to a reduction in the prices of the Group's major chemical products such as methanol, dimethyl ether and melamine. With the domestic epidemic generally under control and the arrival of the winter peak season for the sales of chemical products in the second half of the year, it is expected that the market demand for the Group's major chemical products will gradually recover.

(IV) PROSPECTS *(Continued)*

The market integration in the domestic urea industry has been accelerating. The Group expects that the supply and demand of urea products will maintain a tight balance to provide support for domestic urea prices. At the same time, domestic land re-cultivation and land transfer policies are being implemented steadily, which is expected to further promote the modernization of China's agriculture industry. The shortage of food supply in some overseas regions and the increase in domestic food prices as a result of the epidemic will further stimulate the market's demand for high-efficient fertilisers. The Group will also take this opportunity to further advance its product differentiation strategy and strengthen the research and promotion of high-efficient fertilisers, thereby enhancing the Group's profitability and market competitiveness.

In terms of project construction, the Group's Xinxiang production plant relocation project and the Jiangxi base construction project are proceeding as scheduled. The Xinxiang production plant relocation project is expected to be completed and put into production in the third quarter, and the Jiangxi base construction project is expected to be completed and put into production in the fourth quarter of this year. By then, the Group's advantages in scale, technology and cost will be further enhanced.

In the first half of this year, in the face of the impact of the epidemic and the complicated economic environment, the Group has achieved satisfactory results amongst its peers through product mix adjustments and increasing in the proportion of sales of high-efficient fertilizers. In the second half of the year, the Group is still likely to face many uncertainties. The Company will continue to work hard to enhance its market competitiveness to respond to market risks.

(V) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

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

(V) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

(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 3.8% in the six months ended 30 June 2020 as compared to an increase of 2.2% in the same period in 2019. 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 2020, approximately RMB3,740 million (31 December 2019: RMB2,774 million), or 45.51% (31 December 2019: 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.

(V) 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 2019 and 2018. The gearing ratio of the Group as at 30 June 2020 (calculated as net debt divided by the sum of total capital plus net debt) was 72.14%, representing a decrease of 2.9 percentage points as compared to 31 December 2019.

2. Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities (2019: Nil).

3. Material Litigation and Arbitration

As at 30 June 2020, the Group was not involved in any material litigation or arbitration (2019: 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 2020 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 2020.

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 2020, 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 2020, 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 2020, there were 7,728 (2019: 7,124) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

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 2020

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.

** for identification purpose only*