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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 2021

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 2021 ("**1H2021**") together with the comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 (Unaudited) *RMB'000*	2020 (Unaudited) *RMB'000*
REVENUE	*4*	**7,573,047**	4,939,764
Cost of sales		**(5,455,087)**	(3,877,460)
Gross profit		**2,117,960**	1,062,304
Other income, net	*4*	**34,455**	79,962
Selling and distribution expenses		**(383,218)**	(301,242)
General and administrative expenses		**(406,912)**	(316,774)
Finance costs	*5*	**(281,902)**	(201,949)
PROFIT BEFORE TAX	*6*	**1,080,383**	322,301
Income tax expense	*7*	**(190,952)**	(58,033)
PROFIT FOR THE PERIOD		**889,431**	264,268
OTHER COMPREHENSIVE INCOME			
Financial assets at fair value through other comprehensive income			
Change in fair value		–	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**889,431**	264,268
Profit attributable to:			
Owners of the parent		**645,561**	180,143
Non-controlling interests		**243,870**	84,125
		889,431	264,268
Total comprehensive income attributable to:			
Owners of the parent		**645,561**	180,143
Non-controlling interests		**243,870**	84,125
		889,431	264,268
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	*9*	**55.1**	15.38

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 2021

	Notes	**30 June 2021 (Unaudited)** *RMB'000*	31 December 2020 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**16,612,862**	15,000,465
Goodwill		**63,022**	63,022
Coal mining rights	*10*	**84,643**	84,643
Equity investment at fair value through profit or loss	*12*	**6,708**	6,708
Deferred tax assets		**101,478**	100,430
Prepayments for purchases of plant and equipment		–	120,060
Due from related companies		**61,903**	–
Intangible assets		**54,264**	63,385
Pledged time deposits		**700**	1,400
Right-of-use-assets		**1,152,087**	1,140,330
Other assets		**79,340**	101,115
Investments in associates		**94,411**	94,411
Total non-current assets		**18,311,418**	16,775,969
CURRENT ASSETS			
Equity investments at fair value through profit or loss	*12*	**16,138**	16,092
Due from related companies		**160**	1,804
Inventories	*13*	**1,019,586**	992,149
Derivative financial instruments		**967**	–
Trade and bills receivables	*14*	**1,131,733**	743,392
Prepayments	*11*	**728,748**	514,181
Deposits and other receivables		**502,907**	509,988
Other assets		**13,441**	13,441
Pledged time deposits	*15*	**867,980**	706,035
Cash and cash equivalents	*15*	**822,632**	682,041
Total current assets		**5,104,292**	4,179,123
Total assets		**23,415,710**	20,955,092
CURRENT LIABILITIES			
Due to related companies		**4,750**	12,239
Trade payables	*16*	**1,003,805**	508,978
Bills payable		**1,128,361**	1,110,814
Contract liabilities		**686,966**	818,149
Accruals and other payables		**2,168,529**	1,847,288
Income tax payable		**103,753**	42,708
Deferred grants		**9,317**	9,317
Loan from a non-controlling interest		–	24,870
Interest-bearing bank and other borrowings	*17*	**5,593,012**	4,137,660
Lease liabilities		**26,730**	45,343
Total current liabilities		**10,725,223**	8,557,366
NET CURRENT LIABILITIES		**(5,620,931)**	(4,378,244)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,690,487**	12,397,725

	Notes	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Loan from a non-controlling interest		**47,800**	–
Due to related companies		**4,710**	114
Interest-bearing bank and other borrowings	*17*	**4,488,090**	5,210,059
Deferred grants		**80,385**	82,105
Deferred tax liabilities		**30,383**	50,143
Provision for rehabilitation		**24,723**	24,723
Accruals and other payables		**325,859**	89,117
Lease liabilities		**33,657**	27,198
Bonds payable		**491,797**	489,893
Total non-current liabilities		**5,527,404**	5,973,352
Total liabilities		**16,252,627**	14,530,718
NET ASSETS		**7,163,083**	6,424,374
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,194,686**	1,194,686
Statutory reserve fund		**200,307**	200,307
Special reserve		**4,599**	4,599
Other reserve		**2,217,760**	2,217,760
Retained profits		**1,441,480**	913,081
		5,058,832	4,530,433
Non-controlling interests		**2,104,251**	1,893,941
Total equity		**7,163,083**	6,424,374

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

Group

	Share capital	Statutory reserve fund	Other reserve	Special fund	Retained profits	Total	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 2021	**1,194,686**	**200,307**	**2,217,760**	**4,599**	**913,081**	**4,530,433**	**1,893,941**	**6,424,374**
Profit for the period	–	–	–	–	**645,561**	**645,561**	**243,870**	**889,431**
Disposal of partial interests in subsidiaries without losing control	–	–	–	–	–	–	–	–
Payment of final 2020 dividend	–	–	–	–	–	–	**(33,560)**	**(33,560)**
2020 proposed dividend	–	–	–	–	**(117,162)**	**(117,162)**	–	**(117,162)**
As at 30 June 2021	**1,194,686**	**200,307**	**2,217,760**	**4,599**	**1,441,480**	**5,058,832**	**2,104,251**	**7,163,083**

For the six months ended 30 June 2020

	Share capital	Statutory reserve fund	Other reserve	Special fund	Retained profits	Total	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 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2021

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

Description	Effective for annual periods beginning on or after
Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions	1 June 2020
Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)	1 April 2021
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement,* IFRS 7 *Financial Instruments: Disclosures,* IFRS 4 *Insurance Contracts,* IFRS 16 *Leases:* Interest Rate Benchmark Reform – Phase 2	1 January 2021

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 eight 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)
– Manufacturing and sale of medical intermediate

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 2021

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*	Medical Intermediate (unaudited) *RMB'000*	Others (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Sales to external customers	2,074,145	1,981,427	733,016	535,472	335,303	618,177	236,026	267,479	792,002	7,573,047
Total revenue	2,074,145	1,981,427	733,016	535,472	335,303	618,177	236,026	267,479	792,002	7,573,047
Segment profit	734,642	296,880	144,084	332,747	44,997	143,526	84,419	61,545	275,120	2,117,960
Interest Income										9,671
Unallocated expenses										(765,346)
Finance costs										(281,902)
Profit before tax										1,080,383
Income tax expense										(190,952)
Profit for the period										889,431

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

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

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**7,573,047**	4,939,764

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**9,671**	4,964
Net profit from sales of by-products	**27,459**	22,421
Service fee income	**941**	9,389
Penalty income	**1,266**	5,126
Subsidy income	**11,345**	2,977
Investment income	**348**	2,106
Compensation income	**–**	2,617
Profit on disposal of spare parts and others	**–**	14,108
Profit on disposal of items of property, plant and equipment	**–**	14,092
Profit on fair value change of derivative financial instruments	**959**	–
Others	**19,531**	12,551
	71,520	90,351
Other expenses		
Loss on impairment of property, plant and equipment	**(5,819)**	(1,917)
Loss on disposal of items of property, plant and equipment	**(24,829)**	–
Loss on fair value change of equity investment	**46**	(1,553)
Donation	**(177)**	(4,521)
Exchange loss, net	**(235)**	–
Others	**(6,051)**	(2,398)
	(37,065)	(10,389)
Other income, net	**34,455**	79,962

5. **FINANCE COSTS**

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**281,902**	201,949

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**5,455,087**	3,877,460
Depreciation of property, plant and equipment	**457,440**	365,229
Depreciation of right-of-use assets	**18,743**	24,098
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	**484,708**	335,250
Contributions to defined contribution plans	**70,811**	43,750
Benefits in kind	**37,904**	26,610
	593,423	405,610

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 2021 (six months ended 30 June 2020: 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% (2020: 25%). For the six months ended 30 June 2021, ten 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 2021 and 2020 are:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**190,952**	58,033
Deferred	**–**	–
Total tax charge for the period	**190,952**	58,033

8. DIVIDEND

Final dividend of RMB117,162,000 for the year ended 31 December 2020 (year ended 31 December 2019: RMB93,730,000) was proposed during the six months ended 30 June 2021.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2020: 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 2021 and 2020 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 RMB1,675,569,000 and RMB4,386,000 (six months ended 30 June 2020: RMB1,903,125,000 and RMB16,348,000), respectively.

11. PREPAYMENTS

	30 June 2021 (Unaudited) ***RMB'000***	31 December 2020 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of property, plant and equipment	–	120,060
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**728,748**	491,662
Other prepayments	–	22,519
	728,748	514,181

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
NON-CURRENT		
Unquoted equity investment at fair value:		
PRC	**6,708**	6,708
CURRENT		
Listed equity investments, at fair value:		
Singapore	**2,210**	2,271
Hong Kong	**13,928**	13,821
	16,138	16,092

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

13. INVENTORIES

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Raw materials	**411,944**	431,402
Parts and spares	**230,046**	167,678
Work-in-progress	**25,406**	16,432
Finished goods	**355,306**	379,753
Allowance of inventory obsolescence	**(3,116)**	(3,116)
	1,019,586	992,149

14. TRADE AND BILLS RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
Trade receivables	**440,263**	204,032
Bills receivable	**691,470**	539,360
	1,131,733	743,392

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 2021 (Unaudited)	31 December 2020 (Audited)
	RMB'000	*RMB'000*
Within 1 month	**181,454**	119,892
1 to 3 months	**201,598**	31,829
3 to 6 months	**32,692**	37,092
6 to 12 months	**18,775**	9,314
Over 12 months	**5,744**	5,905
	440,263	204,032

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Fixed deposits	**867,980**	706,035
Less: Pledged time deposits	**(867,980)**	(706,035)
Cash at bank balances	**822,632**	682,041
Cash and cash equivalents	**822,632**	682,041

As at 30 June 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB692,912,000 (31 December 2020: RMB648,297,000). 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 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Within 1 month	**261,797**	169,569
1 to 3 months	**629,195**	109,120
3 to 6 months	**41,516**	65,384
6 to 12 months	**28,445**	121,958
Over 12 months	**42,852**	42,947
	1,003,805	508,978

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 2021			31 December 2020		
	Contractual Interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual Interest rate	Maturity	*RMB'000* (Audited)
Group						
Current						
Bank loans						
– secured	**4%**	**2022**	**97,000**	4%	2021	283,214
– unsecured	**3.522%-6.525%**	**2022**	**4,833,850**	3.522%-6.525%	2021	3,527,013
Loan from leasing company/ finance lease payables	**4.75%**	**2022**	**662,162**	4.75%	2021	327,433
			5,593,012			4,137,660
Non-current						
Bank loans						
– secured	**6.00%**	**2023 to 2027**	**540,000**	6.00%	2022 to 2027	540,000
– unsecured	**3.88%-6.20%**	**2023 to 2027**	**3,547,290**	3.88%-6.20%	2022 to 2026	4,115,925
Loan from leasing company/ finance lease payables	**4.75%**	**2023 to 2024**	**400,800**	4.75%	2022 to 2023	554,134
			4,488,090			5,210,059
			10,081,102			9,347,719

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

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,930,850**	3,810,227
In the second year	**2,021,686**	2,101,962
In the third to fifth years, inclusive	**1,895,604**	2,298,963
Beyond five years	**170,000**	255,000
	9,018,140	8,466,152
Finance lease payables:		
Within one year or on demand	**662,162**	327,433
In the second year	**263,768**	385,306
In the third to fifth years, inclusive	**137,032**	168,828
	1,062,962	881,567
	10,081,102	9,347,719

Note:

(a) The secured bank loans amounting to RMB637,000,000 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 RMB38,953,000 (six months ended 30 June 2020: RMB49,545,000) to property, plant and equipment.

19. CONTINGENT LIABILITIES

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

20. COMMITMENTS

	30 June 2021 (Unaudited) *RMB'000*	31 December 2020 (Audited) *RMB'000*
Capital commitments		
Contracted, but not provided for:		
Buildings	**820,426**	1,083,528
Plant and machinery	**2,068,566**	2,536,334
Coal mines	**14,485**	12,727
	2,903,477	3,632,589
Other commitments		
Purchases of raw materials	**450,167**	833,238

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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of electricity, water and steam to:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**168**	688
Operating lease income from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**158**	84
Purchases of equipment and service fee expenses from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**29,409**	32,218

\# These companies are subsidiaries of Henan Xinlianxin Chemicals Group Co., Ltd. ("**Henan Chemicals**"), which has certain 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	
	2021	2020
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fees	**525**	525
Salaries and bonuses	**2,864**	2,792
Contributions to defined contribution plans	**204**	167
Total compensation paid to key management personnel	**3,593**	3,484

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 second and third quarter of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

With the pandemic gradually easing and the continuously improved economy, the recovery of the domestic fertilisers and chemical products market has accelerated. With the Group's third production base in Jiangxi Jiujiang successfully commissioned in February 2021, total production capacity reached new height, further solidifying geographical coverage, forming Central, Northwest and Southeast three strategic production bases in the PRC.

The unaudited consolidated revenue of the Group increased by approximately RMB2,633 million or 53% from approximately RMB4,940 million for the half year ended 30 June 2020 ("**1H2020**") to approximately RMB7,573 million for 1H2021. The unaudited consolidated net profit of the Group increased by approximately RMB625 million or 237% from approximately RMB264 million for 1H2020 to approximately RMB889 million for 1H2021. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB466 million or 259% from approximately RMB180 million for 1H2020 to approximately RMB646 million for 1H2021.

Urea

Revenue derived from the sales of urea increased by approximately RMB504 million or 32% from RMB1,570 million for 1H2020 to approximately RMB2,074 million for 1H2021. This was mainly due to the increase in sales volume and the average selling price of urea products of the Group by approximately 8% and 23% year on year ("**YoY**"), respectively. Sales volume of urea for 1H2021 was approximately 1,068,100 tons.

Gross profit margin of urea of the Group increased to approximately 35.4% for 1H2021 from approximately 26.8% for 1H2020.

(I) BUSINESS REVIEW *(Continued)*

Urea Solution For Vehicle

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB20 million or 8% from approximately RMB256 million for 1H2020 to approximately RMB236 million for 1H2021. Due to a strong rebound in urea price, the Group has actively adjusted its product structure to allocate more production capacity in response to the increasing market demands of urea. The production volume for urea solution for vehicle decreased slightly.

Gross profit margin of sales of urea solution for vehicle decreased by approximately 2 percentage points from approximately 37.6% for 1H2020 to 35.8% for 1H2021.

Compound Fertilisers

Revenue derived from the sales of compound fertilisers increased by approximately RMB235 million or 13% from approximately RMB1,746 million for 1H2020 to approximately RMB1,981 million for 1H2021, mainly due to the increase in sales volume and average selling price of compound fertilisers by approximately 5% and 8% respectively. The sales volume of compound fertilisers increased to 912,000 tons for 1H2021.

Gross profit margin of compound fertilizers of the Group decreased by approximately 2 percentage points to approximately 15% in 1H2021 from approximately 17.4% in 1H2020. The decrease was mainly due to the increase in average cost of raw materials, such as phosphate and potash fertilizers, by approximately 64% and 57% respectively.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB572 million or 355% from approximately RMB161 million for 1H2020 to approximately RMB733 million for 1H2021. The increased sales of methanol were a result of the increase in average selling price and sales volume of methanol of the Group by 57% and 190% YoY respectively. The increased sales volume was mainly contributed by the additional production capacity of the third production base in Jiujiang.

(I) BUSINESS REVIEW *(Continued)*

Methanol *(Continued)*

Gross profit margin of methanol of the Group increased by approximately 22 percentage points from approximately negative 2.3% for 1H2020 to approximately 19.7% for 1H2021. This was mainly due to the rebound in international energy prices which in turn caused the increase in the average selling price of methanol by approximately 57% YoY.

Dimethyl Ether (DME)

Revenue derived from the sales of DME increased by approximately RMB273 million or 79% from RMB345 million for 1H2020 to approximately RMB618 million for 1H2021. The increase was mainly due to a YoY increase in the average selling price and selling volume of DME by 24% and 45% respectively.

Gross profit margin of DME of the Group increased by approximately 18 percentage points to approximately 23.2% for 1H2021 from approximately 5.7% for 1H2020 as a result of the increase in the average selling price of DME.

Melamine

Revenue derived from the sales of melamine increased by approximately RMB218 million or 69% from RMB317 million for 1H2020 to approximately RMB535 million for 1H2021. The increase was mainly due to a YoY increase in the average selling price and sales volume of melamine by 67% and 1%, respectively, as a result of the strong rebound in demand in domestic chemical products after the containment of COVID-19 pandemic.

Gross profit margin of melamine of the Group increased by approximately 31 percentage points to approximately 62.1% for 1H2021 from approximately 30.9% for 1H2020.

(I) BUSINESS REVIEW *(Continued)*

Furfuryl Alcohol

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB108 million or 48% from approximately RMB227 million for 1H2020 to approximately RMB335 million for 1H2021. This was mainly due to a YoY increase in the average selling price and sales volume of furfuryl alcohol by 46% and 1%, respectively.

Gross profit margin of furfuryl alcohol products increased marginally by approximately 0.3 percentage point from approximately 13.1% for 1H2020 to 13.4% for 1H2021, as the average of cost of raw materials increased approximately by the same percentage points as the selling price.

Medical Intermediate

Manufacturing and sale of medical intermediate products related Xinxiang Ruicheng Technology Co., Ltd. ("**Ruicheng**") principal business. The Group completed the acquisition of Ruicheng in June 2020. Hence, there was no prior years performance for comparison.

Other income, net

Other income decreased by approximately RMB46 million or approximately 58% from approximately RMB80 million in 1H2020 to approximately RMB34 million in 1H2021. This was mainly due to the loss on disposal of items of property, plant and equipment of approximately RMB25 million, profit on disposal of spare parts and other accessories of approximately RMB14 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB82 million or 27% from approximately RMB301 million in 1H2020 to approximately RMB383 million in 1H2021.

Such increase was mainly due to: (1) approximately RMB42 million increase in staff selling commission and bonus for the increased sales volume; (2) approximately RMB23 million corresponding increase in transportation expenses with the overall increase in sales volume; and (3) approximately RMB6 million increase in staff travelling expenses as business traveling resumed.

General and administrative expenses

General and administrative expenses increased by approximately RMB90 million or 28% from approximately RMB317 million in 1H2020 to RMB407 million in 1H2021, which mainly due to: (1) the acquisition of Ruicheng by the Group in June 2020, and the management expenses of approximately RMB24 million from the same period last year was not included; (2) the salary adjustment in June and the impact of the policies of social security contribution cutting in half during the epidemic period have caused labour costs to increase by approximately RMB10 million; (3) approximately RMB9 million increase in research and development expenses; (4) approximately RMB7 million increase in staff welfare expenses due to increase in staff strength in Jiangxi Jiujiang production base; and (5) approximately RMB5 million increase in environment protection expenses.

Finance costs

Finance costs increased by approximately RMB80 million or 40% from approximately RMB202 million in 1H2020 to approximately RMB282 million in 1H2021, which was mainly due to the increase in amount and the average interest rate of the Group's interest bearing borrowings.

Income tax expense

Income tax expense increased by approximately RMB133 million or 229% from approximately RMB58 million in 1H2020 to RMB191 million in 1H2021 due to higher profits.

Profit for the period

The profit for the period increased by approximately RMB625 million or 237% from approximately RMB264 million in 1H2020 to approximately RMB889 million in 1H2021. This was mainly due to the increase in gross profit of approximately RMB1,056 million. The increase in profit for the period was partially offset by the increase in selling and distribution expenses of RMB82 million; increase in general and administrative expenses of RMB90 million; increase in finance cost of RMB80 million, increase in income tax expense of RMB133 million, and the decrease in other income of RMB46 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 2021 *RMB'000*	31 December 2020 *RMB'000*
Trade payables	**1,003,805**	508,978
Bills payable	**1,128,361**	1,110,814
Contract liabilities	**686,966**	818,149
Accruals and other payables	**2,494,388**	1,936,405
Amounts due to related companies	**9,460**	12,353
Loan from a non-controlling interest	**47,800**	24,870
Interest-bearing bank and other borrowings	**10,081,102**	9,347,719
Bonds payable	**491,797**	489,892
Lease liabilities	**60,387**	72,541
Less: Cash and cash equivalents	**(822,632)**	(682,041)
Less: Pledged time deposits	**(868,680)**	(707,435)
Net debt	**14,312,754**	12,932,245
Equity attributable to owners of the parent	**5,058,832**	4,530,433
Less: Statutory reserve fund	**(200,307)**	(200,307)
Total capital	**4,858,525**	4,330,126
Capital and net debt	**19,171,279**	17,262,371
Gearing ratio	**74.66%**	74.92%

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

As at the end of the reporting period, the Group did not have any material acquisition and disposal.

(IV) PROSPECTS

In the first half of 2021, with the introduction of the new agricultural reform policies and the "dual-carbon" policies, the acceleration of elimination of the backward production capacity is beneficial to the development of industry leaders. Our market share has increased and the our cost advantage has further enhanced after our Jiujiang production base put into production. The Group will leverage its three major production bases to strengthen its competitive advantage of "low-cost and differentiation" and widen its business horizon.

In the second half of the year, the overall situation of the urea industry remain in stable development trend. Affected by the continuous impacts from the pandemic domestically and overseas, international energy and global food prices have risen, and the demand for urea will continue to increase. Various factors that keep the urea price at high level still exist. In addition, with the introduction of the "dual carbon" policy, it will accelerate the elimination of backward production capacity, and emphasis more on the high-quality and efficient green development of the agriculture industry. The Group adheres to the strategic of green, low-carbon and sustainable development in terms of production, R&D or product innovation, which will provide favourable conditions for consolidating the main fertilizer industry. In addition, the chemical product market is affected by rising international energy prices, strong downstream demand, and the business cycle of chemical product prices will continue at a high level. Each of the Group's chemical product can meet the various needs of our downstream users. On the basis of consolidating the competitive advantages of our existing chemical products, we are committed to extend the development of the industrial chain. As new products continue to put into production, it will definitely further enhance the Group's profitability and market competitiveness.

The fixed-bed renovation and upgrading project of the Group's second and third plant is steadily progressing and is expected to be completed and put into production in the fourth quarter of this year. By then, the Group's technical and cost advantages will continue to improve, thereby further expanding its market share and enhancing its position in the industry.

(V) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by 1.1% in the six months ended 30 June 2021 as compared to an increase of 3.8% in the same period in 2020. Such inflation in the PRC did not have a significant impact on the Group's operating results.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group 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 2021, approximately RMB5,593 million (31 December 2020: RMB4,138 million), or 55.48% (31 December 2020: 44.26%) 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 2020 and 2019. The gearing ratio of the Group as at 30 June 2021 (calculated as net debt divided by the sum of total capital plus net debt) was 74.66%, representing a decrease of 0.3 percentage points as compared to 31 December 2020.

2. Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities (2020: Nil).

3. Material Litigation and Arbitration

As at 30 June 2021, the Group was not involved in any material litigation or arbitration (2020: Nil).

(V) SUPPLEMENTARY INFORMATION *(Continued)*

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 2021 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 2021.

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 2021, 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 2021, 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 2021, there were 8,690 (2020: 7,728) 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

Hong Kong, 6 August 2021

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*