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 2022

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 2022 ("**1H2022**") 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 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**12,213,886**	7,573,047
Cost of sales		**(9,153,788)**	(5,455,087)
Gross profit		**3,060,098**	2,117,960
Other income, net	*4*	**60,965**	34,455
Selling and distribution expenses		**(510,938)**	(383,218)
General and administrative expenses		**(669,013)**	(406,912)
Finance costs	*5*	**(334,817)**	(281,902)
PROFIT BEFORE TAX	*6*	**1,606,295**	1,080,383
Income tax expense	*7*	**(301,836)**	(190,952)
PROFIT FOR THE PERIOD		**1,304,459**	889,431
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		**1,304,459**	889,431
Profit attributable to:			
Owners of the parent		**959,576**	645,561
Non-controlling interests		**344,883**	243,870
		1,304,459	889,431
Total comprehensive income attributable to:			
Owners of the parent		**959,576**	645,561
Non-controlling interests		**344,883**	243,870
		1,304,459	889,431
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	*9*	**78.1**	55.1

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 2022

	Notes	**30 June 2022 (Unaudited) *RMB'000***	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**19,132,450**	18,056,011
Goodwill		**63,022**	63,022
Coal mining rights	*10*	**242,236**	236,961
Equity investment at fair value through profit or loss	*12*	**13,708**	6,708
Deferred tax assets		**102,523**	102,523
Prepayments for purchases of plant and equipment		**67,458**	81,892
Intangible assets		**90,951**	65,965
Pledged time deposits		**700**	9,700
Right-of-use-assets		**949,152**	980,046
Other assets		**57,481**	36,883
Investments in associates		**99,680**	95,643
Total non-current assets		**20,819,361**	19,735,354
CURRENT ASSETS			
Equity investments at fair value through profit or loss	*12*	**13,593**	13,076
Due from related companies		**80,141**	8,890
Inventories	*13*	**1,701,808**	1,607,385
Derivative financial instruments		**–**	28
Trade and bills receivables	*14*	**1,501,782**	1,004,578
Prepayments	*11*	**1,286,154**	1,027,737
Deposits and other receivables		**312,165**	472,664
Pledged time deposits	*15*	**1,720,954**	743,845
Cash and cash equivalents	*15*	**1,718,941**	893,116
Total current assets		**8,335,538**	5,771,319
Total assets		**29,154,899**	25,506,673
CURRENT LIABILITIES			
Due to related companies		**13,007**	81,166
Trade payables	*16*	**841,664**	774,423
Bills payable		**458,640**	850,474
Contract liabilities		**1,002,461**	1,079,227
Accruals and other payables		**2,100,862**	1,815,284
Income tax payable		**181,049**	167,055
Deferred grants		**9,619**	9,619
Interest-bearing bank and other borrowings	*17*	**7,571,636**	6,402,213
Lease liabilities		**2,541**	2,541
Other liabilities		**5,983**	5,983
Bonds payables		**497,259**	198,222
Total current liabilities		**12,684,721**	11,386,207
NET CURRENT LIABILITIES		**(4,349,183)**	(5,614,888)
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,470,178**	14,120,466

	Notes	**30 June 2022 (Unaudited) *RMB'000***	31 December 2021 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Loan from a non-controlling interest		**48,800**	47,800
Interest-bearing bank and other borrowings	*17*	**5,825,404**	4,966,562
Deferred grants		**84,814**	71,881
Deferred tax liabilities		**68,520**	68,520
Provision for rehabilitation		**25,342**	25,342
Accruals and other payables		**747,862**	549,896
Lease liabilities		**18,278**	20,717
Bonds payable		**–**	296,482
Other liabilities		**114,801**	111,884
Total non-current liabilities		**6,933,821**	6,159,084
Total liabilities		**19,618,542**	17,545,291
NET ASSETS		**9,536,357**	7,961,382
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,251,186**	1,194,686
Statutory reserve fund		**510,920**	510,920
Special reserve		**4,183**	4,127
Other reserve		**2,466,186**	2,202,942
Retained profits		**2,740,451**	1,780,875
		6,972,926	5,693,550
Non-controlling interests		**2,563,431**	2,267,832
Total equity		**9,536,357**	7,961,382

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

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 2022	**1,194,686**	**510,920**	**2,202,942**	**4,127**	**1,780,875**	**5,693,550**	**2,267,832**	**7,961,382**
Profit for the period	–	–	–	–	**959,576**	**959,576**	**344,883**	**1,304,459**
Capital contribution from non-controlling shareholders of subsidiaries	–	–	**263,244**	–	–	**263,244**	–	**263,244**
Payment of final 2021 dividend	–	–	–	–	–	–	**(49,284)**	**(49,284)**
Placing of new shares	**56,500**	–	–	–	–	**56,500**	–	**56,500**
Coal mine maintenance fund	–	–	–	**56**	–	**56**	–	**56**
As at 30 June 2022	**1,251,186**	**510,920**	**2,466,186**	**4,183**	**2,740,451**	**6,972,926**	**2,563,431**	**9,536,357**

For the six months ended 30 June 2021

	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 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2022

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 activity of the Company is investment holding. The principal activities of the Company's subsidiaries are mainly the development, manufacturing, and trading of related differentiated products such as urea, compound fertiliser, methanol, dimethyl ether (DME), melamine, furfuryl alcohol, furfural, 2-methylfuran and medical intermediate.

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 that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The Group has not adopted the following standards and interpretation applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to IAS 1: Presentation of Financial Statements: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8: *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 17: *Insurance Contracts*	1 January 2023
Amendments to IFRS 10 and IAS 28: *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

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.

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

For the six months ended 30 June 2022

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	3,437,907	3,763,393	1,160,672	586,855	401,258	773,639	290,094	222,297	1,577,771	12,213,886
Total revenue	3,437,907	3,763,393	1,160,672	586,855	401,258	773,639	290,094	222,297	1,577,771	12,213,806
Segment profit	1,204,106	666,992	26,640	363,146	33,761	53,114	100,294	39,631	572,414	3,060,098
Interest Income										8,093
Unallocated expenses										(1,127,079)
Finance costs										(334,817)
Profit before tax										1,606,295
Income tax expense										(301,836)
Profit for the period										1,304,459

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

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

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**12,213,886**	7,573,047

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**8,093**	9,671
Net profit from sales of by-products	**18,533**	27,459
Service fee income	**4,931**	941
Penalty income	**3,949**	1,266
Subsidy income	**24,247**	11,345
Investment income	**4,656**	348
Amortisation of deferred grants	**3,097**	–
Profit on disposal of spare parts and others	**541**	–
Profit on fair value change of derivative financial instruments	**–**	959
Others	**19,995**	19,531
	88,042	71,520
Other expenses		
Loss on impairment of property, plant and equipment	**–**	(5,819)
Loss on disposal of items of property, plant and equipment	**(23,134)**	(24,829)
Loss on fair value change of equity investment	**2,290**	46
Donation	**(857)**	(177)
Impairment losses on financial assets	**2,626**	(235)
Others	**(8,002)**	(6,051)
	(27,077)	(37,065)
Other income, net	**60,965**	34,455

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**334,817**	281,902

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**9,153,788**	5,455,087
Depreciation of property, plant and equipment	**676,722**	457,440
Depreciation of right-of-use assets	**3,630**	18,743
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	**912,746**	484,708
Contributions to defined contribution plans	**89,163**	70,811
Benefits in kind	**41,628**	37,904
	1,043,537	593,423

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 2022 (six months ended 30 June 2021: 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% (2021: 25%). For the six months ended 30 June 2022, eleven 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 2022 and 2021 are:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**301,836**	190,952
Total tax charge for the period	**301,836**	190,952

8. DIVIDEND

Final dividend of RMB233,342,000 for the year ended 31 December 2021 (year ended 31 December 2020: RMB117,162,000) was proposed during the six months ended 30 June 2022.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Considering factors including domestic and overseas economies, industry policies and the Company's future development plans, profit targets, investment and cash flow, capital requirements, the Group's annual dividend policy for 2022 to 2024 is updated, of which the details will be distributed with reference to the index range of audited debt-to-asset ratio (i.e. the total liabilities divided by total assets) for the year.

1. When the debt-to-asset ratio is less than or equal to 60%, the distribution ratio of net profit attributable to the parent for the year is greater than or equal to 25%;

2. When the debt-to-asset ratio ranges between 60%-70%, the distribution ratio of net profit attributable to the parent for the year ranges between 20%-25%;

3. When the debt-to-asset ratio is greater than or equal to 70%, the distribution ratio of net profit attributable to the parent for the year ranges between 15%-20% (including 20%);

4. If the net profit realised by the Group for the year is negative, no profit distribution will be made;

5. In the event of force majeure such as war or natural disaster, or changes in the external operating environment that have a significant impact on the production and operation of the Company, the Company may adjust its profit distribution policy.

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 1,228,121,000 (six months ended 30 June 2021: 1,171,621,000) ordinary shares (inclusive of mandatorily convertible instruments issued) outstanding during the period.

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 RMB1,596,213,000 and RMB40,491,000 (six months ended 30 June 2021: RMB1,675,569,000 and RMB4,386,000), respectively.

11. PREPAYMENTS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	RMB'000	*RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of property, plant and equipment	**67,458**	81,892
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**1,286,154**	1,000,236
Other prepayments	**–**	27,501
	1,286,154	1,027,737

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT		
Unquoted equity investment at fair value:		
PRC	**13,708**	6,708
CURRENT		
Listed equity investments, at fair value:		
Singapore	**2,549**	2,127
Hong Kong	**11,044**	10,949
	13,593	13,076

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

13. INVENTORIES

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Raw materials	**760,784**	749,081
Parts and spares	**256,327**	213,641
Work-in-progress	**6,897**	32,262
Finished goods	**687,621**	624,427
Allowance of inventory obsolescence	**(9,822)**	(12,026)
	1,701,808	1,607,385

14. TRADE AND BILLS RECEIVABLES

	30 June 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Trade receivables	**769,878**	351,551
Bills receivable	**731,904**	663,027
	1,501,782	1,004,578

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 2022	31 December 2021
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 1 month	**332,224**	155,707
1 to 3 months	**321,629**	106,227
3 to 6 months	**53,895**	39,066
6 to 12 months	**62,130**	40,551
Over 12 months	**–**	–
	769,878	341,551

15. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Fixed deposits	**1,720,954**	743,845
Less: Pledged time deposits	**(1,720,954)**	(743,845)
Cash at bank balances	**1,718,941**	893,116
Cash and cash equivalents	**1,718,941**	893,116

As at 30 June 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB1,718,941,000 (31 December 2021: RMB893,116,000). 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 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Within 1 month	**219,510**	498,667
1 to 3 months	**527,563**	179,668
3 to 6 months	**34,810**	48,715
6 to 12 months	**23,850**	19,789
Over 12 months	**35,930**	27,584
	841,664	774,423

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 2022			31 December 2021		
	Contractual Interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual Interest rate	Maturity	*RMB'000* (Audited)
Group						
Current						
Bank loans						
– secured	**4%**	**2023**	**883,638**	3%-4%	2022	389,365
– unsecured	**3.522%-6.525%**	**2023**	**5,854,519**	3.00%-6.52%	2022	5,444,639
Loan from leasing company/ finance lease payables	**4.75%**	**2023**	**833,479**	4.65%	2022	568,209
			7,571,636			6,402,213
Non-current						
Bank loans						
– secured	**6.00%**	**2024 to 2028**	**1,245,584**	5.23%-6.00%	2023 to 2027	543,500
– unsecured	**3.88%-6.20%**	**2024 to 2028**	**4,159,846**	2.7%-6.2%	2023 to 2027	3,948,243
Loan from leasing company/ finance lease payables	**4.75%**	**2024 to 2025**	**419,974**	4.65%	2023 to 2024	474,819
			5,825,404			4,966,562
			13,397,040			11,368,775

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

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**7,120,330**	5,834,004
In the second year	**2,265,072**	2,080,704
In the third to fifth years, inclusive	**2,818,870**	2,241,039
Beyond five years	**60,000**	170,000
	12,264,272	10,325,747
Finance lease payables:		
Within one year or on demand	**451,306**	568,209
In the second year	**472,260**	332,883
In the third to fifth years, inclusive	**209,202**	141,936
	1,132,768	1,043,028
	13,397,040	11,368,775

Note:

(a) The secured bank loans amounting to RMB2,129,222,000 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 did not have any capitalised interest expenses (six months ended 30 June 2021: RMB38,953,000) 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 2022 (Unaudited) ***RMB'000***	31 December 2021 (Audited) *RMB'000*
Capital commitments		
Contracted, but not provided for:		
Buildings	**425,580**	351,694
Plant and machinery	**1,267,652**	1,085,455
Coal mines	**40,646**	165,610
	1,733,878	1,602,759
Other commitments		
Purchases of raw materials	**1,994,373**	550,618

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Operating lease and other sales income from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**105**	326
Purchases of equipment and service fee expenses from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**–**	29,409
– Xinxiang Shenzhou Anti-corrosion Installation Co., Ltd.#	**14,091**	–

\# 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fees	**525**	525
Salaries and allowances	**2,878**	2,864
Performance-related bonuses	**22,150**	13,640
Contributions to defined contribution plans	**252**	204
Total compensation paid to key management personnel	**25,805**	17,233

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

Affected by the pandemic, the Russian-Ukrainian war and tight supply of international fertilisers, the prices of global basic energy and food have been rising, which resulted in a strong demand for chemical fertilisers. Coupled with the increase in the price of raw materials, global fertiliser prices have been remained elevated.

During the first half of 2022, with the successful commissioning of the third production base in Jiangxi Jiujiang, the Fixed-bed Renovation and Upgrading Project of the Group's second and third plant in henan Xinxiang and various relevant diversified industrial chain projects, the Group's production capacity reached a new milestone.

The unaudited consolidated revenue of the Group increased by approximately RMB4,641 million or 61% from approximately RMB7,573 million for the half year ended 30 June 2021 ("**1H2021**") to approximately RMB12,214 million for 1H2022. The unaudited consolidated net profit of the Group increased by approximately RMB415 million or 47% from approximately RMB889 million for 1H2021 to approximately RMB1,304 million for 1H2022. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB314 million or 49% from approximately RMB646 million for 1H2021 to approximately RMB960 million for 1H2022.

Finished urea products

Revenue derived from the sales of urea increased by approximately RMB1,364 million or 66% from RMB2,074 million for 1H2021 to approximately RMB3,438 million for 1H2022. This was mainly due to the increase in sales volume and the average selling price of urea products of the Group by approximately 23% and 35% year on year ("**YoY**"), respectively. Sales volume of urea for 1H2022 was approximately 1,309,000 tons.

Gross profit margin of urea of the Group for 1H2022 was approximately 35%, basically maintained at the same level last year.

Urea Solution for Vehicle

Revenue derived from the sales of urea solution for vehicle increased by approximately RMB54 million or 23% from approximately RMB236 million for 1H2021 to approximately RMB290 million for 1H2022. This was mainly due to the increase in the average selling price and sales volume of urea solution for vehicle of the Group by approximately 12% and 10% YoY, respectively.

Gross profit margin of sales of urea solution for vehicle decreased by approximately 1.2 percentage points from approximately 35.8% for 1H2021 to 34.6% for 1H2022.

Compound Fertilisers

Revenue derived from the sales of compound fertilisers increased by approximately RMB1,782 million or 90% from approximately RMB1,981 million for 1H2021 to approximately RMB3,763 million for 1H2022, mainly due to the increase in sales volume and average selling price of compound fertilisers by approximately 31% and 45% YoY, respectively. The sales volume of compound fertilisers increased to 1,194,000 tons for 1H2022. During the epidemic period, the Group took advantage of its own dedicated railway lines to adjust the transportation mode from vehicles to trains, which increased sales.

Gross profit margin of compound fertilizers of the Group increased by approximately 3 percentage points to approximately 18% in 1H2022 from approximately 15% in 1H2021. The increase was mainly due to the increase in average selling price of compound fertilisers.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB428 million or 58% from approximately RMB733 million for 1H2021 to approximately RMB1,161 million for 1H2022. The increased sales of methanol were a result of the increase in average selling price and sales volume of methanol of the Group by 20% and 32% YoY, respectively. The increased sales volume was mainly contributed by the additional production capacity of the third production base in Jiujiang and the expansion of the business channels by launching the methanol trading.

(I) BUSINESS REVIEW *(Continued)*

***Methanol** (Continued)*

Gross profit margin of methanol of the Group decreased by approximately 17.4 percentage points from approximately 19.7% for 1H2021 to approximately 2.3% for 1H2022. This was mainly due to the significant increase in the price of coal, which led to the larger increase of 46% YoY in the average production cost of methanol. The Group will further enhance flexible production capacity, flexible adjustment of production facilities, so as to maximise economic benefits.

Dimethyl Ether (DME)

Revenue derived from the sales of DME increased by approximately RMB155 million or 25% from RMB618 million for 1H2021 to approximately RMB774 million for 1H2022. The increase was mainly due to a YoY increase in the average selling price and selling volume of DME by 19% and 5%, respectively.

Gross profit margin of DME of the Group decreased by approximately 16.4 percentage points to approximately 6.9% for 1H2022 from approximately 23.2% for 1H2021 as a result of the increase in the average production cost of DME.

Melamine

Revenue derived from the sales of melamine increased by approximately RMB52 million or 10% from RMB535 million for 1H2021 to approximately RMB587 million for 1H2022. The increase was mainly due to a 32% YoY increase in the average selling price melamine, which was partially offset by a 17% decrease in sales volume. The decrease in sales volume was mainly due to the negative impact on the economy arising from the conflict between Russia and Ukraine, resulting in insufficient operating rates in downstream industries, which affected exports.

Gross profit margin of melamine of the Group for 1H2022 was approximately 61.9%, basically maintained at the same level as same period of last year.

(I) BUSINESS REVIEW *(Continued)*

Furfuryl Alcohol

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB66 million or 20% from approximately RMB335 million for 1H2021 to approximately RMB401 million for 1H2022. This was mainly due to a 31% YoY increase in the average selling price of furfuryl alcohol products. The increase was partially offset by an 8% decrease in the selling volume. The decrease in sales volume was mainly due to the tightening of environmental protection control and restrictions on the operation of downstream enterprises, which had a certain impact on sales volume.

Gross profit margin of furfuryl alcohol products decreased by approximately 5 percentage point from approximately 13.6% for 1H2021 to 8.4% for 1H2022, as the average of cost of raw materials increased more than the selling price.

Medical Intermediate

Revenue derived from the sales of medical intermediate products decreased by approximately RMB45 million or 17% from approximately RMB267 million for 1H2021 to approximately RMB222 million for 1H2022. This was mainly due to a 31% YoY decrease in the average selling price of medical intermediate, which was partially offset by a 21% increase of the sales volume.

Gross profit margin of medical intermediate products decreased by approximately 3.8 percentage point from approximately 21.6% for 1H2021 to 17.8% for 1H2022.

Other income, net

Other income, net increased by approximately RMB27 million or approximately 79% from approximately RMB34 million in 1H2021 to approximately RMB61 million in 1H2022.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB128 million or 33% from approximately RMB383 million in 1H2021 to approximately RMB511 million in 1H2022. The increase was mainly due to: (1) approximately RMB77 million increase in staff salaries, selling commission and bonus for the increased sales volume; (2) approximately RMB39 million corresponding increase in transportation expenses with the overall increase in sales volume; and (3) approximately RMB12 million increase in selling and distribution expense to promote and optimize marketing efforts around Xinjiang production base.

(I) BUSINESS REVIEW *(Continued)*

General and administrative expenses

General and administrative expenses increased by approximately RMB262 million or 64% from approximately RMB407 million in 1H2021 to RMB669 million in 1H2022, which mainly due to: (1) management capabilities have been improved as the Company strengthened the core training for technical talents in the three major bases while it integrated external high-quality resources to reserve talents for accelerating expansion in different regions, resulting in an overall increase in salary and performance-related bonus of approximately RMB228,000,000; (2) in order to ensure the high-quality development of the Company and further accelerate the construction on informatization and intelligentization, the consulting service fee charged by professional institutions increased by approximately RMB15,000,000; (3) R&D expenses increased by approximately RMB12,000,000 as the Company actively improved independent innovation capabilities and increased R&D investment; and (4) safety and environmental protection expenses increased by approximately RMB7,000,000.

Finance costs

Finance costs increased by approximately RMB53 million or 19% from approximately RMB282 million in 1H2021 to approximately RMB335 million in 1H2022, 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 RMB111 million or 58% from approximately RMB191 million in 1H2021 to RMB302 million in 1H2022 due to higher profits.

Profit for the period

The profit for the period increased by approximately RMB415 million or 47% from approximately RMB889 million in 1H2021 to approximately RMB1,304 million in 1H2022. This was mainly due to the increase in gross profit and other income of approximately RMB942 million and RMB27 million, respectively. The increase in profit for the period was partially offset by the increase in selling and distribution expenses of RMB128 million; increase in general and administrative expenses of RMB262 million; increase in finance cost of RMB53 million, increase in income tax expense of RMB111 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 2022	31 December 2021
	RMB'000	*RMB'000*
Trade payables	**841,664**	774,423
Bills payable	**458,640**	850,474
Contract liabilities	**1,002,461**	1,079,227
Accruals and other payables	**2,848,724**	2,365,180
Amounts due to related companies	**13,007**	81,166
Loan from a non-controlling interest	**48,800**	47,800
Interest-bearing bank and other borrowings	**13,397,040**	11,368,775
Bonds payable	**497,259**	494,704
Lease liabilities	**20,819**	23,258
Other liabilities	**120,784**	117,867
Less: Cash and cash equivalents	**(1,718,941)**	(893,116)
Less: Pledged time deposits	**(1,721,654)**	(753,545)
Net debt	**15,808,603**	15,556,213
Equity attributable to owners of the parent	**6,972,926**	5,693,550
Less: Statutory reserve fund	**(510,920)**	(510,920)
Total capital	**6,462,006**	5,182,630
Capital and net debt	**22,270,609**	20,738,843
Gearing ratio	**70.98%**	75.01%

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 1H 2022, the international situation has been tense, and food security policies have been implemented by various countries again, which was driving strong demand for chemical fertilizers globally. Furthermore, the impacts of the conflicts between Russia and Ukraine and the pandemic resulted in a tense demand and supply condition in the international energy market, thus led to the high prices of energy products and chemical fertilizers.

In the second half of the year, following a slower release of new production capacity of fertilizers domestically, and the general slowdown for agricultural demand due to off season, prices of chemical fertilisers is expected to decline in stages due to the impact of the off-season. However, due to the tight demand and supply market conditions in the international energy market and urea market, the Group believes the price of chemical fertilisers will be well supported. In the meantime, with increasing agriculture land to meet food demand in the PRC, the demand for high-efficiency fertilizers will continue to rise. The Group will take advantage of its geographical reach to further develop its low cost and high efficient production chain and product differentiation strategy, further research and develop high-efficiency fertilizers to elevate its core competitive strength and industry position.

For the construction projects, the Group's DMF Project with an annual output of 100,000 tons at Jiangxi Base is in the trial production stage. It is expected to be officially put into operation in the third quarter of the year. The Tianxin Coal Mine (天欣煤礦) in Xinjiang Base has already entered into trial production stage. Various acceptance works are being carried out in an orderly manner. It is expected that the safety production license will be obtained by the end of the year. In addition, the first phase of Gansu Jinchang Compound Fertilizer Project is also progressing in an orderly manner. Upon completion of these projects, the Group's industrial chain will be upgraded and further diversified. The Group aims to diversify the development of its related products with flexible adjustment, so as to improve its profitability and market competitiveness.

(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 1.7% in the six months ended 30 June 2022 as compared to an increase of 1.1% in the same period in 2021. 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 2022, approximately RMB7,572 million (31 December 2021: RMB6,402 million), or 56.52% (31 December 2021: 56.31%) 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 2021 and 2020. The gearing ratio of the Group as at 30 June 2022 (calculated as net debt divided by the sum of total capital plus net debt) was 70.98%, representing a decrease of 4.03 percentage points as compared to 31 December 2021.

2. Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities (2021: Nil).

3. Material Litigation and Arbitration

As at 30 June 2022, the Group was not involved in any material litigation or arbitration (2021: 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 2022 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 2022.

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 2022, 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 2022, 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 2022, there were 8,758 (2021: 8,690) 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, 19 August 2022

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*