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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)
(Singapore Stock Code: B9R)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors (the "**Directors**") of China XLX Fertiliser Ltd (the "**Company**") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiary (collectively the "**Group**") for the six months ended 30 June 2011 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
REVENUE	*4*	**1,790,353**	1,354,460
Cost of sales		**(1,583,482)**	(1,142,117)
Gross profit		**206,871**	212,343
Other income/(expenses), net	*4*	**(4,733)**	1,796
Selling and distribution cost		**(40,382)**	(19,337)
General and administrative expenses		**(62,819)**	(49,639)
Finance costs	*5*	**(36,415)**	(25,668)
PROFIT BEFORE TAX	*6*	**62,522**	119,495
Income tax expense	*7*	**(12,991)**	(21,345)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**49,531**	98,150
OTHER COMPREHENSIVE INCOME			
Available-for-sale investment:			
Change in fair value		**(7,861)**	–
Transfer of impairment loss to profit or loss		**7,861**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**49,531**	98,150
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB cents per share)*	*9*	**5.0 cents**	9.8 cents

Details of the dividend paid and proposed for the period/year are disclosed in note 8 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	**30 June 2011** ***RMB'000*** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,441,955**	2,414,545
Prepaid land lease payments		**92,246**	89,860
Prepayments	*11*	**41,925**	4,098
Available-for-sale investment	*12*	**–**	21,778
Total non-current assets		**2,576,126**	2,530,281
CURRENT ASSETS			
Available-for-sale investment	*12*	**13,917**	–
Inventories	*13*	**247,553**	353,922
Trade receivables	*14*	**42,693**	13,567
Bills receivables	*14*	**36,379**	18,720
Prepayments	*11*	**141,426**	73,957
Deposits and other receivables		**27,810**	7,461
Income tax recoverable		**16,294**	15,895
Pledged deposits	*15*	**29,000**	18,780
Cash and cash equivalents	*15*	**309,118**	162,773
Total current assets		**864,190**	665,075
CURRENT LIABILITIES			
Trade payables	*16*	**43,129**	40,152
Bills payables		**19,000**	37,500
Accruals and other payables		**258,784**	265,049
Due to related parties		**627**	723
Deferred grants		**3,713**	3,960
Interest-bearing bank and other borrowings	*17*	**445,000**	200,000
Total current liabilities		**770,253**	547,384
NET CURRENT ASSETS		**93,937**	117,691
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,670,063**	2,647,972

	Note	**30 June 2011** *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	**1,023,000**	1,023,411
Deferred tax liabilities		**38,359**	35,071
Total non-current liabilities		**1,061,359**	1,058,482
NET ASSETS		**1,608,704**	1,589,490
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Issued capital		**836,671**	836,671
Statutory reserve fund		**117,269**	110,678
Retained profits		**654,764**	612,141
Proposed final dividend		**–**	30,000
Total equity		**1,608,704**	1,589,490

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

Group

	Issued capital *RMB'000*	Statutory reserve fund *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Retained profits *RMB'000*	Proposed final dividend *RMB'000*	Total equity *RMB'000*
(Unaudited)						
At 1 January 2010	836,671	94,200	–	514,550	29,222	1,474,643
Total comprehensive income for the period	–	–	–	98,150	–	98,150
2009 final dividend declared	–	–	–	–	(29,726)	(29,726)
Transfer from retained profits to proposed final 2009 dividend	–	–	–	(504)	504	–
At 30 June 2010	836,671	94,200	–	612,196	–	1,543,067
(Unaudited)						
At 1 January 2011	836,671	110,678	–	612,141	30,000	1,589,490
Profit for the period attributable to ordinary equity holders of the parent	–	–	–	49,531	–	49,531
Other comprehensive income for the period:						
Change in fair value of an available-for-sale investment	–	–	(7,861)	–	–	(7,861)
Transfer of impairment loss to profit or loss	–	–	7,861	–	–	7,861
Total comprehensive income for the period	–	–	–	49,531	–	49,531
Transfer to statutory reserve fund	–	6,591	–	(6,591)	–	–
Transfer from retained profits to proposed final 2010 dividend	–	–	–	(317)	317	–
Final 2010 dividend declared	–	–	–	–	(30,317)	(30,317)
At 30 June 2011	**836,671**	**117,269**	**–**	**654,764**	**–**	**1,608,704**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**62,522**	119,495
Adjustments for:			
Amortisation of prepaid land lease payments	*6*	**993**	834
Depreciation of property, plant and equipment	*6*	**84,187**	81,060
Impairment loss on an available-for-sale investment	*6*	**7,861**	–
Loss on disposal of items of property, plant and equipment	*4,6*	**1,159**	3,617
Amortisation of deferred grants	*4*	**(247)**	(2,990)
Interest income	*4*	**(379)**	(302)
Dividend income	*4*	**(720)**	–
Finance costs	*5*	**36,415**	25,668
		191,791	227,382
Decrease in inventories		**106,369**	35,018
Increase in trade and bills receivables		**(46,785)**	(1,146)
Decrease/(increase) in prepayments		**(67,400)**	29,179
Decrease/(increase) in deposits and other receivables		**(20,349)**	17,213
Decrease in trade and bills payables		**(15,523)**	(22,219)
Increase/(decrease) in accruals and other payables		**4,289**	(136,046)
Decrease in amounts due to related parties		**(96)**	(278)
Cash generated from operations		**152,296**	149,103
Government grants received		**–**	2,990
Interest paid		**(36,415)**	(25,668)
Interest received		**379**	302
Tax paid		**(10,102)**	(15,918)
Net cash flows from operating activities		**106,158**	110,809
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**2,607**	2,655
Purchases of items of property, plant and equipment	*18*	**(163,744)**	(218,369)
Purchase of an available-for-sale investment		**–**	(21,778)
Decrease/(increase) in bank deposits pledged		**(10,220)**	21,173
Purchase of land lease premium		**(3,448)**	–
Dividend income received		**720**	–
Net cash flows used in investing activities		**(174,085)**	(216,319)

	Note	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		**(30,317)**	(29,726)
Proceeds from loans and borrowings		**400,000**	300,000
Repayments of loans and borrowings		**(155,411)**	(270,000)
Net cash flows from financing activities		**214,272**	274
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**146,345**	(105,236)
Cash and cash equivalents at beginning of period		**162,773**	139,796
Cash and cash equivalents at end of period		**309,118**	34,560
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash at banks and on hand	*15*	**309,118**	34,560

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 dual primary listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at 333 North Bridge Road, #08-00 KH KEA Building, Singapore 188721. The principal place of business of the Group is located at THE Xinxiang High Technology Development Zone, West Zone, Henan Province, the People's Republic of China (the "**PRC**"). The principal activity of the Company consists of investment holding. The principal activities of the major subsidiary of the Company, namely Henan Xinlianxin Fertiliser Co., Ltd. ("**Henan XLX**"), are the manufacturing and trading of urea, compound fertiliser, methanol, liquid ammonia and ammonia solution.

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with Singapore Financial Reporting Standard ("**SFRS**") 34 "Interim Financial Reporting" issued by the Singapore Accounting Standards Council and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant regulations of the Singapore Exchange Securities Trading Limited.

The condensed consolidated interim financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information of the Company and its subsidiaries (collectively the "Group") are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2010, except for the adoption of the following new and revised SFRSs for the first time for the current period's condensed consolidated interim financial information.

- Amendment to SFRS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
- INT SFRS 119 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to SFRS 101 *Limited Exemption from Comparative* SFRS 107 *Disclosures for First-time Adopters*
- Revised SFRS 24 *Related Party Disclosures*
- Amendments to INT SFRS 114 *Prepayments of a Minimum Funding Requirement*
- INT SFRS 115 *Agreements for the Construction of Real Estate*
- Improvements to SFRSs issued in 2010:
  - Amendments to SFRS 101 *First-time Adoption of Singapore Financial Reporting Standards*
  - Amendments to SFRS 103 *Business Combinations*
  - Amendments to SFRS 107 *Financial Instruments: Disclosures*
  - Amendments to SFRS 1 *Presentation of Financial Statements*
  - Transition requirements for amendments arising as a result of SFRS 27 *Consolidated and Separate Financial Statements*
  - Amendments to SFRS 34 *Interim Financial Reporting*
  - Amendments to INT SFRS 113 *Customer Loyalty Programmes*

The adoption of these standards and interpretations did not have any material effect on the results and financial position of the financial statements, or their presentation for the current period.

3. OPERATING SEGMENT INFORMATION

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

(i) Urea

Urea is an effective, neutral nitrogen-based fertiliser which is suitable for various crops and land. It will not leave any residue in the soil, and provides nitrogen to crops and serves as a raw material for agricultural fertilisers, plastic, resin, coating materials and pharmaceutical industries.

(ii) Compound fertiliser

Compound fertiliser is a type of round, hard, colourful granulated fertiliser and has various distinctive characteristics such as high concentration, high absorption rate by crops, and enhancement of resistance of crops to diseases, insects, droughts and lodges. The use of compound fertiliser generally improves the quality of crops and the productivity of the land. It can be used as ground fertiliser or added fertiliser and is suitable for the growing of wheat, paddy, corn, peanuts, tobacco, fruit trees, vegetables and cotton.

(iii) Methanol

Methanol is a colourless, tasteless, highly volatile, and flammable liquid alcohol that is toxic if swallowed. It is an important organic chemical raw material which is mainly used to produce formaldehyde, which is a vital raw material for producing various kinds of resin. Methanol is also a good fuel and has been used as an energy resource in some power stations. Methanol is also widely used in the industrial production of synthetic fibre, plastic, pharmaceutical, pesticides, dye and synthetic protein.

In addition to the three main operating segments, the Group is involved in the production of liquid ammonia and ammonia solution.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss which in certain respects, as explained in the table below, is measured differently from profit before tax in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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, depreciation and amortisation, finance income and expenses 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. Assets of the Group are utilised interchangeably between the 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.

For the six months ended 30 June 2011

	Urea	Compound fertiliser	Methanol	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Sales to external customers	**1,162,149**	**449,137**	**175,523**	**3,544**	**–**	**1,790,353**
Intersegment sales	**147,528**	**–**	**–**	**4,841**	**(152,369)**	**–**
Total revenue	**1,309,677**	**449,137**	**175,523**	**8,385**	**(152,369)**	**1,790,353**
Segment profit/(loss)	**156,599**	**67,410**	**(17,341)**	**203**	**–**	**206,871**
Interest income						**379**
Unallocated expenses, net						**(108,313)**
Finance costs						**(36,415)**
Profit before tax						**62,522**
Income tax expense						**(12,991)**
Net profit attributable to owners of the parent						**49,531**

For the six months ended 30 June 2010

	Urea	Compound fertiliser	Methanol	Others	Eliminations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE						
Sales to external customers	960,176	206,997	181,612	5,675	–	1,354,460
Intersegment sales	66,162	–	–	2,864	(69,026)	–
Total revenue	1,026,338	206,997	181,612	8,539	(69,026)	1,354,460
Segment profit/(loss)	190,142	23,646	(1,511)	66	–	212,343
Interest income						302
Unallocated expenses, net						(67,482)
Finance costs						(25,668)
Profit before tax						119,495
Income tax expense						(21,345)
Net profit attributable to owners of the parent						98,150

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, and the value of services rendered.

An analysis of the Group's revenue, other income and other expenses is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**1,790,353**	1,354,460

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**379**	302
Sale of by-products	**2,440**	5,200
Service fee income from related parties	**807**	678
Amortisation of deferred grants	**247**	2,990
Dividend income	**720**	–
Others	**844**	393
	5,437	9,563
Other expenses		
Loss on disposal of items of property, plant and equipment	**(1,159)**	(3,617)
Exchange loss, net	**–**	(576)
Impairment loss on an available-for-sale investment	**(7,861)**	–
Others	**(1,150)**	(3,574)
	(10,170)	(7,767)
Other income/(expenses), net	**(4,733)**	1,796

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**36,415**	25,539
Interest on government loans	**–**	129
	36,415	25,668

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**1,583,482**	1,142,117
Depreciation of property, plant and equipment	**84,187**	81,060
Amortisation of prepaid land lease payments	**993**	834
Minimum lease payments under operating leases:		
Land	**176**	153
Buildings	**270**	240
	446	393
Employee benefit expenses (including directors' Remuneration):		
Salaries and bonuses	**66,635**	46,778
Contributions to defined contribution plans	**9,589**	8,153
Welfare expenses	**4,293**	3,162
	80,517	58,093
Auditors' remuneration	**710**	549
Exchange loss, net	**–**	576
Impairment loss on an available-for-sale investment	**7,861**	–
Loss on disposal of items of property, plant and equipment	**1,159**	3,617

7. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% for the six months ended 30 June 2011 (six months ended 30 June 2010: 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 an income tax rate of 25% (2010: 25%). Based on the "Income Tax Law of the PRC for Enterprises with Foreign Investments and Foreign Enterprises", the subsidiaries are entitled to full exemption from income tax for the first two profitable years and a 50% reduction in income tax for the following three years. The major subsidiary, Henan XLX, had elected the financial year ended 31 December 2007 as the first profitable year for the purpose of determining the tax holiday period. Accordingly, that subsidiary was exempted from income tax during the years ended 31 December 2007 and 2008. For the six months ended 30 June 2010 and 2011, that subsidiary was in its fourth and fifth profitable years, respectively and hence became subject to a concessionary tax rate of 12.5%.

The major components of income tax expense for the six months ended 30 June 2010 and 2011 are:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**9,703**	15,796
Deferred tax	**3,288**	5,549
Total tax charge for the period	**12,991**	21,345

8. DIVIDENDS

Final dividend of RMB30,317,000 (year ended 31 December 2009: RMB29,726,000) for the year ended 31 December 2010 was declared and paid during the six months ended 30 June 2011.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share is calculated by dividing the Group's profit for the period attributable to ordinary equity holders of the parent by the weighted average number of 1,000,000,000 (six months ended 30 June 2010: 1,000,000,000) ordinary shares outstanding during the period.

There were no potentially dilutive ordinary shares in existence during the six months ended 30 June 2010 and 2011 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

During the period, the additions and disposals of the items of property, plant and equipment of the Group amounted to approximately RMB115,363,000 and RMB3,766,000 (six months ended 30 June 2010: RMB131,697,000 and RMB6,272,000), respectively.

11. PREPAYMENTS

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of plant and equipment	**41,925**	4,098
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**138,935**	71,535
Current portion of prepaid land lease payments	**2,055**	1,985
Other prepayments	**436**	437
	141,426	73,957

12. AVAILABLE-FOR-SALE INVESTMENT

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
NON-CURRENT		
Listed equity investment, at fair value:		
Singapore	**–**	21,778
CURRENT		
Listed equity investment, at fair value:		
Singapore	**13,917**	–

The above investment in equity securities is designated as an available-for-sale financial asset and has no fixed maturity or coupon rate.

During the period, a provision for impairment of RMB7,861,000 was made for an available-for-sale investment with a carrying value (before impairment) of RMB21,778,000 because there was a significant decline in the fair value of the available-for-sale investment.

The available-for-sale investment was transferred from non-current assets to current assets at 30 June 2011 because the directors of the Company are of the opinion that the investment could be disposed of in the forthcoming year.

13. INVENTORIES

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Raw materials	**137,561**	216,373
Parts and spares	**16,882**	13,129
Work in progress	**4,240**	6,758
Finished goods	**88,870**	117,662
	247,553	353,922

14. TRADE AND BILLS RECEIVABLES

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Trade receivables	**42,693**	13,567
Bills receivable	**36,379**	18,720
	79,072	32,287

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

The Group's trading terms with its customers are mainly payment in advance or on credit for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the trade receivables at the end of the reporting period, based on the invoice due date and net of provisions, is as follows:

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Within 1 month	**41,168**	13,131
1 to 3 months	**1,211**	276
3 to 6 months	**303**	160
6 to 12 months	**11**	–
	42,693	13,567

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Time deposits	**29,000**	18,780
Less: Pledged time deposits	**(29,000)**	(18,780)
Cash at banks and on hand	**309,118**	162,773
Cash and cash equivalents	**309,118**	162,773

At 30 June 2011, the cash and bank balances of the Group denominated in RMB amounted to RMB331,618,000 (31 December 2010: RMB180,717,000). 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 2011 (Unaudited) *RMB'000*	31 December 2010 (Audited) *RMB'000*
Within 1 month	**4,416**	3,223
1 to 3 months	**31,654**	34,696
3 to 6 months	**5,837**	688
6 to 12 months	**410**	239
Over 12 months	**812**	1,306
	43,129	40,152

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 2011			31 December 2010		
	Contractual interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual interest rate	Maturity	*RMB'000* (Audited)
CURRENT						
Bank loans						
– unsecured *(note (a))*	**6.4%**	**2012**	**90,000**	5.4%	2011	30,000
– unsecured	**5.4% to 6.87%**	**2012**	**355,000**	4.86% to 5.4%	2011	170,000
			445,000			200,000
NON-CURRENT						
Bank loans						
– secured	**–**	**–**	**–**	5.4%	2012	90,000
– unsecured	**5.4% to 6.8%**	**2012 to 2018**	**1,013,000**	5.4% to 5.85%	2012 to 2013	923,000
Loan from the government						
– unsecured *(note (b))*	**Floating rate at 0.3% above the market prime lending rate**	**–**	**10,000**	Floating rate at 0.3% above the market prime lending rate	–	10,411
			1,023,000			1,023,411
			1,468,000			1,223,411

	30 June 2011 (Unaudited) ***RMB'000***	31 December 2010 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**445,000**	200,000
In the second year	**250,000**	625,000
In the third to fifth years, inclusive	**763,000**	388,000
	1,458,000	1,213,000
Other borrowings repayable:		
In the third to fifth years, inclusive	**10,000**	10,411
	1,468,000	1,223,411

Notes:

(a) Certain bank loans of the Group were supported by the guarantee of independent third parties.

(b) The loan from the government bears interest at a floating rate of 0.3% above the market prime lending rate and is not due to be repaid within the next 12 months.

The fair values of the Group's interest-bearing bank and other borrowings approximate to their carrying values.

18. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction – purchases of property, plant and equipment:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Additions to property, plant and equipment	**115,363**	131,697
Less: Prepayments made in the prior period	**(4,098)**	(6,515)
Less: Payable to creditors	**(46,462)**	(83,238)
	64,803	41,944
Add: Prepayments made in the current period	**41,925**	30,389
Add: Payments for the prior year purchases	**57,016**	146,036
	163,744	218,369

19. CONTINGENT LIABILITIES

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

20. OPERATING LEASE ARRANGEMENTS

The Group had operating lease agreements for buildings in Mainland China. Certain of these leases have options for renewal. Future minimum rentals payable under non-cancellable operating leases at the end of the reporting period are as follows:

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within one year	**3,083**	3,083
In the second to fifth years, inclusive	**11,486**	11,513
After five years	**81,770**	83,203
	96,339	97,799

The Group had no material operating lease arrangements at the end of the reporting period.

21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following capital and other commitments at the end of the reporting period:

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Capital commitments:		
Plant and machinery	**71,535**	44,224
Other commitments:		
Purchases of raw materials	**41,982**	–

The Group had no other material commitments at the end of the reporting period.

22. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of electricity, water and steam to:		
– Henan Shenzhou Heavy Sealing Co., Ltd. #	**515**	470
– Xinxiang Xinlianxin Gas Products Co., Ltd. #	**4,081**	1,159
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd. #	**3**	3
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	**120**	105
– Xinxiang Yuyuan Chemical Co., Ltd. #	**338**	292
– Xinxiang Xinlianxin Hotel Co., Ltd. #	**63**	38
Service fee income for provision of calibration and testing services to:		
– Henan Shenzhou Heavy Sealing Co., Ltd. #	**14**	24
– Xinxiang Xinlianxin Gas Products Co., Ltd. #	**4**	4
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	**2**	7
– Xinxiang Yuyuan Chemical Co., Ltd. #	**7**	26
Purchases of raw materials and consumables from:		
– Xinxiang Xinlianxin Gas Products Co., Ltd. #	**119**	113
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd. #	**1,114**	4,270
Service fee expenses for provision of lifting services from:		
– Xinxiang Xinlianxin Lifting Equipment Co., Ltd.	**1,238**	824
Operating lease expenses to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	**240**	240
Service fee expenses to:		
– Xinxiang Xinlianxin Hotel Co., Ltd. #	**1,545**	983
Interest expense to:		
– Henan Xinlianxin Chemicals Group Co., Ltd.	**439**	408

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 and significant influence in Henan Chemicals.

22. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Directors' fee	**400**	400
Salaries and bonuses	**1,660**	1,163
Contributions to defined contribution plans	**30**	37
Total compensation paid to key management personnel	**2,090**	1,600

23. SEASONALITY OF OPERATIONS

Due to the seasonal weather conditions, the sales of compound fertiliser are subject to seasonal fluctuations, with peak demand in the third quarter of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Revenue

Revenue for 1H2011 increased significantly by about RMB436 million or 32% from approximately RMB1,354 million in 1H2010 to approximately RMB1,790 million in 1H2011. The increase was mainly due to the increase in urea and compound fertiliser sales volume and increase in urea, methanol and compound fertiliser average selling prices.

Urea

Revenue derived from the sales of urea increased by approximately RMB202 million or approximately 21% from approximately RMB960 million for the half year ended 30 June 2010 to RMB1,162 million for the half year ended 30 June 2011. Such increase was mainly due to the increase in average selling price by approximately 16% due to high international selling prices and low industry production utilisation which was affected by the shortage of electricity supply. The sales quantity of urea also increased by approximately 4% due to sales from inventory carried over from December 2010.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB6 million or approximately 3% from approximately RMB182 million for the half year ended 30 June 2010 to RMB176 million for the half year ended 30 June 2011. Such decrease was mainly due to the decrease in sales quantity by approximately 18% as methanol is loss-making. The decrease was partially offset by an increase in average selling prices.

Compound fertiliser

Revenue derived from the sales of compound fertiliser increased by approximately RMB242 million or approximately 117% from approximately RMB207 million for the half year ended 30 June 2010 to RMB449 million for the half year ended 30 June 2011. Such increase was primarily resulted from the increase in sales volume by about 78% in the six months ended 30 June 2011 due to change in sales mix towards more compound fertiliser as compared to urea which had lower gross margins. The average selling price for compound fertiliser also rose 22% in the half year ended 30 June 2011 as compared to the same period in 2010.

Profitability

Overall gross profit margin decreased from approximately 16% in 1H2010 to 12% in 1H2011 due to the decrease in gross profit margins of urea and methanol.

Urea

Gross profit margin of urea decreased from 20% in 1H2010 to 14% in 1H2011 due to higher coal prices which resulted in urea average cost of sales being 25% higher than 1H2010. But urea average selling prices only increased 16%. However, if compared against the gross profit margin of urea in 1Q2011 and 4Q2010, urea gross margins in 2Q2011 increased approximately 3% and 4% respectively, led primarily by the increase in average selling prices by approximately 4% and 5% respectively.

Methanol

Gross profit margin of methanol decreased from negative 1% in 1H2010 to negative 10% in 1H2011. This due to higher coal prices which resulted in methanol average cost of sales being 29% higher than 1H2010. Methanol average selling prices only increased 18%. However, if compared against the gross profit margin of methanol in 1Q2011, it has increased approximately 12%, led primarily by the increase in average selling prices by approximately 2%, together with a decline in average cost of sales by approximately 9% due to lower coal prices.

Compound fertiliser

Gross profit margin of compound fertiliser increased from 11% in 1H2010 to 15% in 1H2011. This was mainly due to increase in average selling prices by 22% while cost of sales only increased 17% as the Group had purchased its raw materials before the raw material price increase.

Other income and expenses

Other income and expenses reduced approximately RMB7 million from other income of RMB2 million to other expenses of RMB5 million due mainly to impairment loss in available-for-sale investment by approximately RMB8 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB21 million or 109% from approximately RMB19 million in 1H2010 to RMB40 million in 1H2011. This was mainly due to increase transportation costs related to compound fertiliser sales which had increased by about 88k tons. Out of this, about 40k tons of compound fertiliser was exported in 1H2011 as compared to none in 1H2010. Hence, included in selling and distribution expenses were also transportation costs incurred to bring the goods to port, port handling, export tariff and freight costs.

General and administrative expenses

General and administrative expenses increased by approximately RMB13 million or 27% from approximately RMB50 million in 1H2010 to RMB63 million in 1H2011. This was due increase in staff cost due to wage increase in July 2010 and April 2011 and increase in the number of employees for the 4th plant. Consultation expenses also increased due to the expansion in the 4th plant and utilities increased in 1H2011 due to increase in water price and waste treatment price.

Finance costs

Finance costs increased by RMB11 million or 42% from approximately RMB25 million in 1H2010 to RMB36 million in 1H2011. The increase was due to higher interest rates and more interest-bearing loans and borrowings in 1H2011 as compared against 1Q2010.

Income tax expense

Income tax expense decreased by approximately RMB8 million or 39% from approximately RMB21 million in 1H2010 to RMB13 million in 1H2011 due to lower profits.

Net profit attributable to owners of the Company

The net profit attributable to owners of the Company decreased by approximately RMB48 million or 50% from RMB98 million in 1H2010 to RMB50 million in 1H2011. This was mainly due to the increase in other expenses, selling and distribution expenses, general and administrative expenses and finance costs by approximately RMB7 million, RMB21 million, RMB13 million and RMB11 million respectively.

Quarterly performance review

Net profits increased RMB6 million in 2Q2011 when compared to 2Q2010. This was mainly due to increase in gross profits by approximately RMB60 million due to increase in compound fertiliser sales volume by approximately 144%. This was due to only 1 plant being shut down for maintenance purposes in 2Q2011 as compared to all 3 plants being shutdown in 2Q2010. However, operating expenses such as other expenses, selling and distribution expenses, general and administrative expenses and finance costs increased by approximately RMB13 million, RMB22 million, RMB11 million and RMB7 million respectively.

(II) FINANCIAL REVIEW

Gearing

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

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Due to related companies	**627**	723
Trade payables	**43,129**	40,152
Bills payable	**19,000**	37,500
Accruals and other payables	**258,784**	265,049
Interest-bearing bank and other borrowings	**1,468,000**	1,223,411
Less: Cash and cash equivalents	**(309,118)**	(162,773)
Less: Pledged deposits	**(29,000)**	(18,780)
Net debt	**1,451,422**	1,385,282
Shareholders' equity	**1,608,704**	1,589,490
Less: Statutory reserve fund	**(117,269)**	(110,678)
Total capital	**1,491,435**	1,478,812
Capital and net debt	**2,942,857**	2,864,094
Gearing ratio	**49.3%**	48.4%

The Group includes within net debt, loans and borrowings, trade and other payables, other liabilities, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent less the above-mentioned restricted statutory reserve fund.

Loans

Amount payable in one year or less, or on demand

	As at 30/6/2011		As at 31/12/2010	
	Secured *RMB'000* **(Unaudited)**	**Unsecured** *RMB'000* **(Unaudited)**	Secured *RMB'000* (Audited)	Unsecured *RMB'000* (Audited)
Bank loans	**90,000**	**355,000**	30,000	170,000

Amount payable after one year

	As at 30/6/2011		As at 31/12/2010	
	Secured	**Unsecured**	Secured	Unsecured
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Bank loans	**–**	**1,013,000**	90,000	923,000
Loan from government	**–**	**10,000**	–	10,411
	–	**1,023,000**	90,000	933,411

Details of guarantee

As at 30 June 2011, the Group has total of RMB90.0 million short-term loans (31 December 2010: RMB30.0 million short-term loans and RMB90.0 million long-term loans) guaranteed by Xinxiang Xinya Paper Group Ltd, an independent third party.

(III) PROSPECTS

Due to inflationary pressure, our raw material and average selling prices for urea increased in 1H2011 as compared against 1H2010. Unfortunately, urea margins declined as coal prices increased more than the increase in urea prices. However, given the third quarter is the seasonal peak for urea and especially compound fertiliser, we believe that the profitability in 3Q2011 should be better than 2Q2011.

We already noted moderate recovery in urea gross margins for 2 consecutive quarters from 4Q2010 to 2Q2011 due to increase in urea prices and a decrease in coal prices. We are hopeful for coal prices to be stable with the reopening of small mines after consolidation. We also expect urea prices to remain strong in 3Q11 due to the export window that will open in the third quarter.

Methanol prices in FY2011 are expected to be better than FY2010 due to higher oil prices and better demand from the downstream industries such as the Dimethoxyethane (DME) industry. The use of methanol as a fuel additive should also boost demand in FY2011.

We expect compound fertiliser demand to grow in 2011 as farmers become more sophisticated and increasingly adopt more balanced application of chemical fertilisers. We expect the third quarter of 2011 to continue to be the seasonal peak for compound fertiliser.

(IV) SUPPLEMENTARY INFORMATION

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

For the six months ended 30 June 2011, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs (which include all IFRS, International Accounting Standards and Interpretations).

2. Operational and Financial Risks

(i) Market Risk

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

(ii) Commodity Price Risk

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

(iii) Interest Rate Risk

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

(iv) Foreign Exchange Risk

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

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by 5.4% in the six months ended 30 June2011 as compared to an increase of 2.6% in the same period in 2010. Such inflation in the PRC did not have a significant effect 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 2011, approximately RMB445 million (31 December 2010: RMB200 million), or 30.3% (31 December 2010: 16.3%) 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.

(vii) Gearing Risk

The Group monitors its capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. 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 2010 and 2011. The gearing ratio of the Group as at 30 June 2011 (calculated as net debt divided by total capitalisation plus net debt) was 49.3%, representing a decrease of 0.9% as compared to 31 December 2010. As at 30 June 2011, the Group had no pledge of non-current assets.

3. Contingent Liabilities

As at 30 June 2011, the Group has no material contingent liabilities (2010: Nil).

4. Material Litigation and Arbitration

As at 30 June 2011, the Group was not involved in any material litigation or arbitration.

5. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2011 have been reviewed by the Audit Committee.

6. Compliance with the Code on Corporate Governance Practices

The Company devotes to best practice on corporate governance, and has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the six months ended 30 June 2011.

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2011, all Directors have complied with the required standards of the Model Code.

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

For the six months ended 30 June 2011, neither the Company nor its subsidiary has purchased, sold or redeemed any of the securities of the Company.

9. Employees and Remuneration Policy

As at 30 June 2011, there were 3,477(2010: 3,302) 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 and share options to eligible staff based on their performance and contributions to the Group.

10. Disclosure on the Website of the SEHK

This announcement shall be published on the website of the SEHK (http://www.hkex.com.hk) and on the website of the Company (http://www.chinaxlx.com.sg) in due course.

By Order of the Board
China XLX Fertiliser Ltd.
Yan Yunhua
Executive Director
and Chief Financial Officer

Singapore, 3 August 2011

As at the date of announcement, the executive Directors are Mr. Liu Xingxu, Ms. Yan Yunhua and Mr. Li Buwen; and the independent non-executive Directors are Mr. Ong Kian Guan, Mr. Li Shengxiao and Mr. Ong Wei Jin.

* *for identification purpose only*