



**PAST INFORMATION REQUIRED FOR FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2009**

**1(a) Income statements for the Year and the Fourth Quarter (3 months) ended 31 December 2009 together with comparative statements for the corresponding period of the immediately preceding financial year.**

	3 months ended		Increase/	12 months ended		Increase/
	31/12/2009	31/12/2008	(Decrease)	31/12/2009	31/12/2008	(Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	638,306	464,453	37%	2,329,607	2,084,943	12%
Cost of sales	(539,141)	(387,922)	39%	(2,014,212)	(1,603,073)	26%
<b>Gross profit</b>	99,165	76,531	30%	315,395	481,870	(35%)
Other income and gains	2,726	2,790	(3%)	11,661	13,664	(15%)
Selling and distribution expenses	(4,642)	(5,902)	(21%)	(16,902)	(20,722)	(18%)
General and administrative expenses	(27,020)	(33,971)	(20%)	(110,536)	(91,290)	21%
Other operating income/ (expenses)	(3,551)	2,639	(235%)	(11,587)	(6,963)	66%
Finance costs	(12,759)	(8,705)	47%	(36,522)	(26,791)	36%
<b>Profit before tax</b>	53,919	33,382	62%	151,509	349,768	(57%)
Income tax expense	(11,521)	(2,435)	373%	(32,285)	(18,094)	78%
<b>Net profit attributable to shareholders</b>	42,398	30,947	37%	119,224	331,674	(64%)
<b>Other comprehensive income for the period</b>						
Gain/ (loss) on hedging instrument	-	5,034	(100%)	(19,807)	19,807	(200%)
<b>Total comprehensive income for the period attributable to shareholders</b>	<b>42,398</b>	<b>35,981</b>	18%	<b>99,417</b>	<b>351,481</b>	(72%)



Profit before tax is arrived at after charging/ (crediting) the following:

	3 months ended	3 months ended	12 months ended	12 months ended
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RMB'000	RMB'000	RMB'000	RMB'000
Provision of inventories	-	3,000	-	6,000
Depreciation of property, plant and equipment	36,912	20,631	124,536	78,465
Amortisation of prepaid land lease payments	395	590	1,436	1,388
Loss on disposal of property, plant and equipment	472	1,300	712	1,648
Write-off of property, plant and equipment	-	694	-	694
Write-off of doubtful trade receivables	-	34	-	75
Foreign exchange loss/(gain)	(198)	(16)	562	3,103
Interest income	(295)	(597)	(1,328)	(2,872)
Interest expenses	12,759	8,705	36,522	26,791
Net fair value loss/(gain) on derivative financial assets	2,238	18	8,760	(1,763)



**1(b)(i) Balance sheets (for the Issuer and Group), together with the comparative statements as at the end of the immediately preceding financial year.**

	Group		Company	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	2,302,013	1,616,011	-	-
Land use rights	71,192	72,628	-	-
Prepayments for purchases of plant and equipment	6,515	277,882	-	-
Investment in subsidiary	-	-	800,000	800,000
	<b>2,379,720</b>	<b>1,966,521</b>	<b>800,000</b>	<b>800,000</b>
<b>Current assets</b>				
Inventories	221,911	234,965	-	-
Trade receivables	568	7,667	-	-
Bills receivable	40,708	18,580	-	-
Prepayments	58,476	28,156	-	-
Derivative financial assets	-	19,807	-	19,807
Deposits and other receivables	36,871	6,094	-	1,509
Due from subsidiary	-	-	8,851	309,420
Income tax recoverable	11,334	-	-	-
Pledged deposits	21,173	-	-	-
Cash and cash equivalents	139,796	200,114	2,835	23,037
	<b>530,837</b>	<b>515,383</b>	<b>11,686</b>	<b>353,773</b>
<b>Total Assets</b>	<b>2,910,557</b>	<b>2,481,904</b>	<b>811,686</b>	<b>1,153,773</b>
<b>Current liabilities</b>				
Trade payables	47,435	47,760	-	-
Bills payable	41,346	-	-	-
Accruals and other payables	299,500	259,411	15,497	10,563
Due to related companies	1,517	1,676	-	-
Income tax payable	102	220	102	220
Deferred grants	8,995	9,740	-	-
Interest-bearing bank and other borrowings	110,000	145,000	-	-
	<b>508,895</b>	<b>463,807</b>	<b>15,599</b>	<b>10,783</b>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<b>21,942</b>	<b>51,576</b>	<b>(3,913)</b>	<b>342,990</b>



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	Group		Company	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current liabilities</b>				
Accruals	65,035	25,600	-	-
Interest-bearing bank and other borrowings	835,152	522,974	-	307,557
Deferred tax liabilities	26,832	18,617	-	-
	<b>927,019</b>	<b>567,191</b>	<b>-</b>	<b>307,557</b>
<b>TOTAL LIABILITIES</b>	<b>1,435,914</b>	<b>1,030,998</b>	<b>15,599</b>	<b>318,340</b>
<b>NET ASSETS</b>	<b>1,474,643</b>	<b>1,450,906</b>	<b>796,087</b>	<b>835,433</b>
<b>Equity attributable to equity holder of the Company</b>				
Issued capital	836,671	836,671	836,671	836,671
Statutory reserve fund	94,200	77,770	-	-
Hedging reserve	-	19,807	-	19,807
Retained profits/(loss)	514,550	440,731	(69,806)	(96,972)
Proposed final dividend	29,222	75,927	29,222	75,927
<b>Total shareholders' equity</b>	<b>1,474,643</b>	<b>1,450,906</b>	<b>796,087</b>	<b>835,433</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,910,557</b>	<b>2,481,904</b>	<b>811,686</b>	<b>1,153,773</b>



**(b)(ii) Aggregate amount of Group's borrowings and debt securities**

**Amount payable in one year or less, or on demand**

	As at 31/12/2009		As at 31/12/2008	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	-	110,000	-	145,000

**Amounts payable after one year**

	As at 31/12/2009		As at 31/12/2008	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	120,000	705,000	-	422,557
Loan from related party	-	-	-	90,000
Loan from government	-	10,152	-	10,417
	120,000	715,152	-	522,974

**Details of collateral**

As at 31 December 2009, the Group has total of RMB120.0 million long-term loans are guaranteed by Xinxiang Xinya Paper Group Ltd.



**1(c)(i) A cash flow statement (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Three months ended 31 December		Twelve months ended 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	53,919	33,382	151,509	349,768
Adjustments for:				
Amortisation of prepaid land lease payments	395	590	1,436	1,388
Depreciation of property, plant and equipment	36,912	20,631	124,536	78,465
Loss on disposal of property, plant and equipment	472	1,300	712	1,648
Write-off of property, plant and equipment	-	694	-	694
Amortisation of deferred grants	-	-	(1,545)	-
Net fair value loss/(gain) on derivative financial assets/liabilities	2,238	18	8,760	(1,763)
Write-back for doubtful trade receivables	-	-	-	(83)
Write-off of trade receivables	-	34	-	75
Write-off of inventories	-	3,000	-	6,000
Interest income	(295)	(597)	(1,328)	(2,872)
Interest expense	12,759	8,705	36,522	26,791
	106,400	67,757	320,602	460,111
Decrease/(increase) in inventories	(55,013)	47,922	13,054	(62,440)
Increase in trade and bills receivable	(22,310)	(1,371)	(15,029)	(18,918)
Decrease/(increase) in prepayments	(20,424)	25,365	(30,320)	17,386
Decrease/(increase) in deposits and other receivables	(995)	(1,531)	(30,777)	(1,791)
Decrease in amounts due from related companies	-	1,142	-	1,998
Increase/(decrease) in trade and bills payables	(14,419)	(43,027)	41,021	15,075
Increase/(decrease) in accruals and other payables	104,662	(64,027)	33,899	(19,246)
Decrease in derivative financial liabilities	(6,522)	-	-	-
Increase/(decrease) in amounts due to related companies	1,517	1,047	(159)	(6)
Cash flows generated from operations	92,896	33,277	332,291	392,169
Government grant received	(1,150)	1,250	800	1,500
Interest paid	(12,759)	(8,705)	(41,522)	(26,791)
Interest received	295	597	1,328	2,872
Tax refund/ (paid)	(23,000)	191	(35,522)	(187)
Net cash inflow from operating activities	56,282	26,610	257,375	369,563
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment (Note B)	(107,685)	(269,339)	(489,633)	(879,998)
Proceeds from disposal of property, plant and equipment	189	754	375	754
Purchases of land use rights	-	(21,444)	-	(21,444)
Decrease/(increase) in pledged time deposits	(3,499)	24,524	(21,173)	3,508
Net cash outflow from investing activities	(110,995)	(265,505)	(510,431)	(897,180)



	Three months ended 31 December		Twelve months ended 31 December	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid on ordinary shares	-	-	(75,680)	(71,468)
Proceeds from loans and borrowings	410,629	312,626	1,170,299	642,626
Proceeds from/( consideration for) termination of derivative financial assets	(8,760)	192	(8,760)	1,763
Repayments of loans and borrowings	(370,564)	(25,000)	(893,121)	(352,000)
Net cash inflow/(outflow) from financing activities	31,305	287,818	192,738	220,921
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	(23,408)	48,923	(60,318)	(306,696)
Cash and cash equivalents at beginning of period	163,204	151,191	200,114	506,810
Cash and cash equivalents at end of period (Note A)	139,796	200,114	139,796	200,114

**Note A: Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances and unpledged bank deposits. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	Group	
	RMB'000	
	Unaudited 12 months ended 31/12/2009	Unaudited 12 months ended 31/12/2008
Fixed deposits	21,173	10,685
Cash and bank balances	139,796	189,429
	<b>160,969</b>	<b>200,114</b>
Less: Fixed deposits pledged	(21,173)	-
<b>Cash and cash equivalents</b>	<b>139,796</b>	<b>200,114</b>



**Note B: Property, plant and equipment**

	Group RMB'000		Group RMB'000	
	Unaudited 3 months ended 31/12/09	Unaudited 3 months ended 31/12/08	Unaudited 12 months ended 31/12/09	Unaudited 12 months ended 31/12/08
Current period additions to property, plant and equipment	135,071	347,070	811,625	723,306
Less:				
Prepayments made in prior period	(41,061)	(277,244)	(277,882)	(57,629)
Payable to creditors	(144,317)	(98,692)	(144,317)	(98,692)
Interest capitalised	-	-	(5,000)	-
	<b>(50,361)</b>	<b>(28,866)</b>	<b>384,426</b>	<b>566,985</b>
Add:				
Prepayments made in current period	6,515	277,882	6,515	277,882
Payments for prior period purchase	151,531	20,323	98,692	35,131
<b>Net cash outflow for purchase of property, plant and equipment</b>	<b>107,685</b>	<b>269,339</b>	<b>489,633</b>	<b>879,998</b>

**1(d)(i) Statement of Changes in Equity (for the Issuer and the Group) as at 31 December 2009, together with comparative statements for the corresponding period of the immediately preceding financial year**

Group	Issued capital	Statutory reserve fund	Hedging Reserve	Retained earnings	Proposed final dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2008	836,671	40,514	-	222,240	71,468	1,170,893
Total comprehensive income for the period	-	-	19,807	331,674	-	351,481
Final 2007 dividend declared	-	-	-	-	(71,468)	(71,468)
Transfer to statutory reserve fund	-	37,256	-	(37,256)	-	-
Proposed final 2008 dividend	-	-	-	(75,927)	75,927	-
<b>Balance at 31 December 2008</b>	<b>836,671</b>	<b>77,770</b>	<b>19,807</b>	<b>440,731</b>	<b>75,927</b>	<b>1,450,906</b>



Group	Issued capital RMB'000	Statutory reserve fund RMB'000	Hedging Reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2009	836,671	77,770	19,807	440,731	75,927	1,450,906
Total comprehensive income for the period	-	-	(19,807)	119,224	-	99,417
Transfer to statutory reserve fund	-	16,430	-	(16,430)	-	-
Transfer from proposed final 2008 dividend to retained profits	-	-	-	247	(247)	-
Final 2009 dividend declared	-	-	-	-	(75,680)	(75,680)
Proposed final 2009 dividend	-	-	-	(29,222)	29,222	-
<b>Balance at 31 December 2009</b>	<b>836,671</b>	<b>94,200</b>	<b>-</b>	<b>514,550</b>	<b>29,222</b>	<b>1,474,643</b>

Company	Issued Capital RMB'000	Hedging reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2008	836,671	-	(72,264)	71,468	835,875
Total comprehensive income for the period	-	19,807	51,219	-	71,026
Final 2007 dividend declared	-	-	-	(71,468)	(71,468)
Proposed final 2008 dividend	-	-	(75,927)	75,927	-
<b>Balance at 31 December 2008</b>	<b>836,671</b>	<b>19,807</b>	<b>(96,972)</b>	<b>75,927</b>	<b>835,433</b>

Company	Issued Capital RMB'000	Hedging reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
As at 1 January 2009	836,671	19,807	(96,972)	75,927	835,433
Total comprehensive income for the period	-	(19,807)	56,141	-	36,334
Final 2008 dividend declared	-	-	-	(75,680)	(75,680)
Transfer from proposed final 2008 dividend to retained profits	-	-	247	(247)	-
Proposed final 2009 dividend	-	-	(29,222)	29,222	-
<b>Balance at 31 December 2009</b>	<b>836,671</b>	<b>-</b>	<b>(69,806)</b>	<b>29,222</b>	<b>796,087</b>



**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at end of the corresponding period of the immediately preceding financial year**

There were no movements in the Company's authorised, issued and fully paid share capital during the twelve months ended 31 December 2009.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>31/12/2009</u>	<u>31/12/2008</u>
Total number of issued ordinary shares excluding treasury shares	1,000,000,000	1,000,000,000

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The company does not have any treasury shares

**2. Whether the figure have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures for 4Q2009 and FY2009 have not yet been audited or reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Nil.

**4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited financial statements has been applied.**

The Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current period as those in its audited consolidated financial statements as at 31 December 2008.



**5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed and as well the reason for, and the effect of, the changes.**

The Group adopted the following new and revised SFRS that are relevant to the Group and mandatory for the financial periods beginning on or after 1 January 2009.

*SFRS 1 Presentation of Financial Statements – Revised presentation*

The revised SFRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present one single statement.

*SFRS 23 Borrowing Costs*

SFRS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group applied this revised standard to capitalise the borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 August 2008 instead of the original effective date of 1 January 2009 in the case for the Group. This change in accounting policy had no material effect on how the results for the year ended 31 December 2008 have been prepared and presented. The early adoption has resulted in capitalisation of borrowing costs of RMB5,000,000 for the year ended 31 December 2009.

*SFRS 108 Operating Segments*

SFRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under SFRS 14 Segment Reporting.

**6. Earnings per ordinary share of the Group for the recent financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per share	12 months ended	12 months ended
	31/12/2009	31/12/2008
Net profit after tax (RMB' 000)	119,224	331,674
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000
Basic and fully diluted* earnings per share based on weighted average number of ordinary shares in issue (RMB' cents)	11.92	33.17

\*There were no potential dilutive options for both periods.



**7. Net assets value (for the Issuer and Group) per ordinary share based on issued share capital of the Issuer at the end of:-**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.**

<b>Net assets value per share</b>	<b>Group 31/12/2009</b>	<b>Group 31/12/2008</b>	<b>Company 31/12/2009</b>	<b>Company 31/12/2008</b>
Net assets value per ordinary share (RMB) based on issued capital at the end of:				
Number of ordinary shares in issue: 1,000,000,000 shares	1.47	1.45	0.80	0.84

**8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, cost, and the earnings of the Group for the current financial period reported on, including (where applicable) seasonal and cyclical factors; and  
(b) any material factors that affected the cash flows, working capital, assets and liabilities of the Group during the current financial period reported on.**

**PERFORMANCE REVIEW**

**Revenue**

Revenue for FY2009 increased by approximately RMB244.7 million or approximately 11.7% from approximately RMB2,084.9 million in FY2008 to approximately RMB2,329.6 million in FY2009. The increase was mainly due to the increase in sales quantity of urea led by the commencement of the third urea plant which increased the urea aggregate capacity from approximately 720,000 tons to approximately 1,250,000 tons. The increase in revenue was partially offset by the decrease in revenue for the sales of methanol and compound fertiliser. The Group had reduced the sales mix of methanol in 2009 as it was loss-making. Revenue from compound fertiliser declined due to the decision to sell more urea than compound fertiliser in FY2009 due to a reduction in the average selling price of compound fertiliser by approximately 32.8%.

**Gross profit margin**

Overall gross profit margin declined from approximately 23.1% in FY2008 to approximately 13.5% in FY2009 due to the decrease in gross profit margins of urea, methanol and compound fertiliser.

Gross profit margin for urea decreased from approximately 20.6% in FY2008 to approximately 18.3% in FY2009. This was primarily due to decrease in average selling price of urea in FY2009 by about approximately 6.6% led by the domestic oversupply



condition. The gross margin for urea was also affected by the ramp up cost of the third plant which commenced trial production in mid April 2009.

Gross profit margin for methanol declined significantly from approximately 19.7% in FY2008 to negative approximately 15.2% in FY2009. This was due to lower domestic average selling prices led by lower oil prices, weaker demand in DME, construction, automotive and other methanol's downstream industries.

Gross profit margin for compound fertiliser declined from approximately 24.5% in FY2008 to approximately 2.2% in FY2009. This was mainly due to decline in average selling prices of compound fertiliser while our costs remained high due to consumption of high cost inventories purchased previously.

#### **Other Income and gains**

Other income and gains decreased by approximately RMB2.0 million or approximately 17.1% from approximately RMB13.7 million for the year ended 31 December 2008 to approximately RMB11.7 million for the year ended 31 December 2009. Such decrease was primarily due to the decrease in bank interest income and sale of by-products in 2009.

#### **Selling and distribution expenses**

Selling and distribution expenses reduced by approximately RMB3.8 million or approximately 18.4% from approximately RMB20.7 million in FY2008 to approximately RMB16.9 million in FY2009. The decrease was due mainly to decline in transportation cost of approximately RMB3.6 million resulting from lower compound fertiliser sales.

#### **General and administrative expenses**

General and administrative expenses increased by approximately RMB19.2 million or approximately 21.1% from approximately RMB91.3 million in FY2008 to approximately RMB110.5 million in FY2009. The increase was mainly due to professional fees and other costs related to the dual listing in Hong Kong that amounted approximately RMB20 million.

#### **Finance costs**

Finance costs increased by approximately RMB9.7 million or approximately 36.2% from approximately RMB26.8 million in FY2008 to approximately RMB36.5 million in FY2009. The increase was due to increased interest-bearing loans and borrowings to fund capital expenditures such as the construction of the third plant.

#### **Income tax expense**

Income tax expense increased by approximately RMB14.2 million or approximately 78%



from approximately RMB18.1 million in FY2008 to approximately RMB32.3 million in FY2009. The income tax expenses of approximately RMB18.1 million in FY2008 relates mainly to the 5% withholding tax on accumulated profits from China subsidiary from 1 January 2008 onwards. Furthermore, our China subsidiary, Henan XLX, is now subject to income tax rate of 12.5% (FY2008: 0%) in FY2009. Henan XLX enjoyed full exemption from income tax in FY2007 and FY2008 as a wholly owned foreign enterprise. It is now subsequently taxed at a 50% reduction in income tax in FY2009, FY2010 and FY2011.

### **Net profit attributable to shareholders**

The net profit attributable to shareholders decreased by approximately RMB212.5 million or approximately 64.1% from approximately RMB331.7 million in FY2008 to approximately RMB119.2 million in FY2009. This was mainly due to the decline in profit margin of all products as a result of decline in average selling prices of urea, methanol and compound fertiliser, ramp up cost for the third plant, consumption of high inventory costs carried over from FY2008 and increase in professional fees for the dual listing in Hong Kong.

### **Quarterly performance review**

Net profits increased approximately RMB11.5 million or approximately 37.2% from approximately RMB30.9 million in 4Q2008 to approximately RMB42.4 million in 4Q2009. This was due to the increase in revenue generated from urea by approximately RMB156.7 million from approximately RMB347.4 million in 4Q2008 to approximately RMB504.1 million in 4Q2009, and the turnaround of methanol gross margins by approximately 35% from negative approximately 34.2% in 4Q2008 to approximately 0.9% in 4Q2009. The urea sales increase was mainly due to the commencement of the third plant. The methanol gross profit margin increase was led by the increase in average selling prices and reduction in average cost of sales for methanol by approximately 2.5% and 18.8% respectively.

## **FINANCIAL POSITION**

### **Non-current assets**

As at 31 December 2009, non-current assets amounted to approximately RMB2,379.7million which comprised property, plant and equipment and land use rights. Property, plant and equipment comprised mainly production machinery, construction-in-progress, office equipment and furniture and other fixtures and constructions.

The carrying amount of property, plant and equipment as at 31 December 2009 increased by approximately RMB686.0 million or approximately 42.5% from approximately RMB1,616.0 million as at 31 December 2008 to approximately RMB2,302.0 million as at 31 December 2009. The increase in non-current assets was mainly due to the construction of the third urea plant and upgrades of existing plants.



### **Current assets**

Current assets increased by approximately RMB15.4 million or approximately 3.0% from approximately RMB515.4 million as at 31 December 2008 to approximately RMB530.8 million as at 31 December 2009 which is mainly attributed to the increase in deposits and other receivables by approximately RMB30.8 million and the increase in prepayments principally for raw materials purchases by approximately RMB30.3 million. The increases were partially offset by the decrease in cash and bank balances by approximately RMB39.1 million.

### **Current liabilities**

Current liabilities increased by approximately RMB45.1 million or approximately 9.7% from approximately RMB463.8 million as at 31 December 2008 to approximately RMB508.9 million as at 31 December 2009 due mainly to increase in accruals and other payables by approximately RMB40.1 million, increase in trade payables and bills payable by approximately RMB41.0 million and offset partially by a decrease in short term loan and other borrowings of approximately RMB35.0 million. The increase in accruals and other payables was mainly due to increase in advances from customers led by increase in sales quantity after the commencement of the third plant.

### **Non-current liabilities**

Non-current liabilities increased by approximately RMB359.8 million or approximately 63.4% from approximately RMB567.2 million as at 31 December 2008 to approximately RMB927.0 million as at 31 December 2009 due to the increase in long-term interest-bearing loans and borrowings by approximately RMB312.2 million to support the capital expenditure requirements and approximately RMB39.4 million increase in other liabilities which were balances owing for the construction of the third urea plant that need not be repaid within the next 12 months.

### **CASH FLOW**

Cash and cash equivalents reduced by approximately RMB60.3 million in FY2009. This was due to the purchase of property, plant and equipment of approximately RMB489.6 million and increase in pledged deposits of approximately RMB21.2 million and dividend payment of approximately RMB75.7 million and repayment of loans and borrowings of approximately RMB893.1 million. The increase was off-set by proceeds from bank borrowings of approximately RMB1,170.3 million and cash flow from operations of approximately RMB257.4 million.



**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.**

The Directors are more optimistic about the prospects for 2010 as compared to 2009. This is partly because certain one off costs incurred in FY2009 is not expected to be repeated in 2010. These include the Company's Hongkong listing costs approximately RMB20 million, the ramp up cost of approximately RMB12 million in our third plant and the high cost inventories brought over from 2008 which affected the 2009 compound fertiliser margin.

Methanol made losses in FY2009 due to decline in average selling prices led by weak demand in downstream products. We however, expect better outlook for methanol as it is expected that possible economic recovery would boost demand in the construction industry which is one of the main users of methanol. The legalizing of methanol used as a fuel additive should also boost demand.

Domestic oversupply of urea might continue to persist throughout 2010. But we noted the PRC government's efforts to support the agriculture sector by pledging to increase subsidies to farmers in 2010.

The Group noted that the PRC government had reiterated its intention several times that it will increase natural gas prices. We expect this would help to provide support for urea prices. Because many industry players believe that this will increase the gas-based urea producers costs and the gas-based urea producers currently enjoy substantial subsidies in their natural gas price. This will not affect the Group's costs as the Group are coal-based.

While the Group profitability will continue to be affected by any industry risks, the Company has so far proven itself as a cost-leader amongst coal-based producers and being able to maintain its high utilization rates.

**11. Dividend**

**(a) Current financial period reported on**

The Company recommends that the first and final exempt (one-tier) dividend of SGD0.6 cent be declared for the financial year ended 31 December 2009.



**(b) Corresponding period of the immediately preceding financial year**

The Company distributed dividends of SGD1.6 cents or RMB75.7 million in FY2009 for the financial year ended 31 December 2008.

**(c) Date payable**

27 May 2010

**(d) Books closure date**

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed from 11 May 2010 after 5.00 p.m. to 12 May 2010, both dates inclusive, for the purpose of determining the Members' entitlements to the dividends to be proposed at the Annual General Meeting of the Company to be held on 27 April 2010.

Duly completed transfers in respect of shares in the Company received up to close of the business at 5.00 p.m. on 11 May 2010 by the Company's Share Registrar, KCK CorpServe Pte. Ltd., 333 North Bridge Road KH KEA Building #08-00, Singapore 188721 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 11 May 2010 will be entitled to such proposed dividend.

The dividend, if approved at the Annual General Meeting, will be paid on 27 May 2010

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable.

**13. Interested Person Transactions**

**13(i) Aggregate value of all interested person transactions, conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)**

Nil.

**13(ii) Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)**

Below are the interested person transactions made with Henan Xinlianxin Chemicals Co., Ltd and its subsidiaries:



	4Q2009 RMB'000	4Q2008 RMB'000	FY2009 RMB'000	FY2008 RMB'000
Sale of water, electricity and steam	817	647	2,600	2,726
Purchase of raw materials (oxygen) and consumables	103	7,892	6,474	15,065
Service fee expense	405	-	4,482	2,413
Interest expense	-	1,548	2,735	5,835
Rental of property, plant and equipment	120	120	480	492
Purchase of property, plant and equipment	5,823	7,919	5,934	14,648
Loan from related party*	-	-	90,000	-
Construction fee expense	-	-	2,881	-

\* Approved by resolution of shareholders at EGM held on 10 October 2007

**14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

For the year ended 31 December 2009	Urea	Compound Fertiliser	Methanol	Others	Elimination RMB'000	Total RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000		
Sales to external customers	1,706,662	438,158	175,854	8,933	-	2,329,607
Intersegment sales	130,456	-	-	6,382	(136,838)	-
Total revenue	1,837,118	438,158	175,854	15,315	(136,838)	2,329,607
Segment profit/(loss)	336,231	9,689	(26,812)	(3,713)		315,395
Unallocated expenses, net						(128,692)
Financial expenses, net						(35,194)
Profit before tax						151,509
Income tax expenses						(32,285)
Net profit attributable to the equity holders of the parent						119,224

For the year ended 31 December 2008	Urea	Compound Fertiliser	Methanol	Others	Elimination RMB'000	Total RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000		
Sales to external customers	1,155,540	708,268	214,836	6,299	-	2,084,943
Intersegment sales	152,297	-	-	4,162	(156,459)	-
Total revenue	1,307,837	708,268	214,836	10,461	(156,459)	2,084,943
Segment profit/(loss)	269,261	173,762	42,401	(3,554)		481,870
Unallocated expenses, net						(108,183)
Financial expenses, net						(23,919)
Profit before tax						349,768
Income tax expenses						(18,094)
Net profit attributable to the equity holders of the parent						331,674



**15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

See note 8 above.

**16. A breakdown of sales.**

	Group		
	FY2009	FY2008	Increase/ (decrease)
	RMB'000	RMB'000	%
(a) Sales reported for the first half year	1,025,378	991,967	3.4%
(b) Operating profit after tax for first half year	82,066	204,125	(59.8%)
(c) Sales reported for the second half year	1,304,229	1,092,976	19.3%
(d) Operating profit after tax for second half year	37,158	127,549	(70.9%)

**17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

	<u>31/12/2009</u>	<u>31/12/2008</u>
Ordinary	SGD6.0 million	SGD16.0 million

**By Order of the Board**

Yan Yunhua  
Executive Director  
23 February 2010

*As at the date of this announcement, the executive directors of China XLX Fertiliser Ltd are Mr. LIU Xingxu, Mr. LI Buwen and Ms. YAN Yunhua; non-executive independent directors are Mr. ONG Kian Guan, Mr. ONG Wei Jin and Mr LI. Shengxiao.*