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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)

2010 FIRST QUARTERLY RESULTS

This announcement is made pursuant to the disclosure obligation under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This announcement is originally prepared in English. In case of any inconsistency between the English version and the Chinese version, the English version shall prevail.

This quarterly report is prepared in accordance with relevant regulations of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial information set out in this report has been prepared in accordance with Singapore Financial Reporting Standard and has not been audited nor reviewed by auditors. Shareholders of the Company and public investors should exercise caution when trading in the shares of the Company.

* for identification purpose only

PAST INFORMATION REQUIRED FOR FIRST QUARTER PERIOD ENDED 31 MARCH 2010

- 1(a) Income statements for the First Quarter (3 months) ended 31 March 2010 together with comparative statement for the respective corresponding period of the immediately preceding financial year.**

	3 months ended 31/3/2010 RMB'000	Group 3 months ended 31/3/2009 RMB'000	Increase/ (Decrease) %
Revenue	727,563	479,173	52%
Cost of sales	(578,150)	(391,438)	48%
Gross profit	149,413	87,735	70%
Other income and gains	4,667	2,990	56%
Selling and distribution expenses	(15,195)	(4,366)	248%
General and administrative expenses	(24,878)	(21,789)	14%
Other expenses	(9,485)	(1,249)	659%
Finance costs	(12,946)	(9,816)	32%
Profit before tax	91,576	53,505	71%
Income tax expense	(16,239)	(10,281)	58%
Net profit attributable to owners of the Company	75,337	43,224	74%
Other comprehensive income for the period			
Loss on hedging instrument	-	(14,284)	-
Total comprehensive income for the period attributable to owners of the Company	75,337	28,940	160%

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

	3 months ended 31/3/2010 RMB'000	Group 3 months ended 31/3/2009 RMB'000
Depreciation of property, plant and equipment	38,725	20,826
Amortisation of land use rights	392	392
Loss on impairment of property, plant and equipment	5,936	-
Foreign exchange loss	122	1,350
Interest expense	12,946	9,816
Interest income	(136)	(652)

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	
	31/3/2010 RMB'000	31/12/2009 RMB'000	31/3/2010 RMB'000	31/12/2009 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,310,231	2,302,013	-	-
Land use rights	70,800	71,192	-	-
Prepayments	34,690	6,515	-	-
Investment in subsidiary	-	-	800,000	800,000
	<u>2,415,721</u>	<u>2,379,720</u>	<u>800,000</u>	<u>800,000</u>
Current assets				
Inventories	219,175	221,911	-	-
Trade receivables	6,119	568	-	-
Bills receivables	27,936	40,708	-	-
Prepayments	38,613	58,476	-	-
Deposits and other receivables	25,228	36,871	-	-
Due from subsidiary	-	-	8,851	8,851
Income tax recoverable	5,692	11,334	-	-
Pledged deposits	15,000	21,173	-	-
Cash and cash equivalents	173,162	139,796	6,962	2,835
	<u>510,925</u>	<u>530,837</u>	<u>15,813</u>	<u>11,686</u>
Total Assets	<u>2,926,646</u>	<u>2,910,557</u>	<u>815,813</u>	<u>811,686</u>
Current liabilities				
Trade payables	40,700	47,435	-	-
Bills payables	30,000	41,346	-	-
Accruals and other payables	289,399	299,500	14,664	15,497
Due to related parties	487	1,517	-	-
Income tax payable	-	102	-	102
Deferred grants	8,995	8,995	-	-
Interest-bearing bank and other borrowings	80,000	110,000	-	-
	<u>449,581</u>	<u>508,895</u>	<u>14,664</u>	<u>15,599</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>61,344</u>	<u>21,942</u>	<u>1,149</u>	<u>(3,913)</u>

	Group		Company	
	31/3/2010 RMB'000	31/12/2009 RMB'000	31/3/2010 RMB'000	31/12/2009 RMB'000
Non-current liabilities				
Accruals	60,813	65,035	-	-
Interest-bearing bank and other borrowings	825,000	825,000	-	-
Loan from government	10,215	10,152	-	-
Deferred tax liabilities	31,057	26,832	-	-
	<u>927,085</u>	<u>927,019</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,376,666</u>	<u>1,435,914</u>	<u>14,664</u>	<u>15,599</u>
NET ASSETS	<u>1,549,980</u>	<u>1,474,643</u>	<u>801,149</u>	<u>796,087</u>
Equity attributable to owners of the Company				
Issued capital	836,671	836,671	836,671	836,671
Statutory reserve fund	94,200	94,200	-	-
Retained profits	589,887	514,550	(64,744)	(69,806)
Proposed final dividend	29,222	29,222	29,222	29,222
Total shareholders' equity	<u>1,549,980</u>	<u>1,474,643</u>	<u>801,149</u>	<u>796,087</u>
TOTAL EQUITY AND LIABILITIES	<u>2,926,646</u>	<u>2,910,557</u>	<u>815,813</u>	<u>811,686</u>

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

Amount payable in one year or less, or on demand

	As at 31/3/2010		As at 31/12/2009	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>110,000</u>

Amount payable after one year

	As at 31/3/2010		As at 31/12/2009	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	120,000	705,000	120,000	705,000
Loan from government	<u>-</u>	<u>10,215</u>	<u>-</u>	<u>10,152</u>
	<u>120,000</u>	<u>715,215</u>	<u>120,000</u>	<u>715,152</u>

Details of collateral

As at 31 March 2010, the Group has total of RMB120.0 million long-term loans 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.

	Group	
	RMB'000	
	3 months ended	3 months ended
	31/3/2010	31/3/2009
Cash flows from operating activities		
Profit before taxation	91,576	53,505
<i>Adjustment for:</i>		
Amortisation of land use rights	392	392
Depreciation of property, plant and equipment	38,725	20,826
Loss on impairment of property, plant and equipment	5,936	–
Interest income	(136)	(652)
Interest expense	12,946	9,816
Total adjustments	57,863	30,382
<i>Operating profit before working capital changes</i>	149,439	83,887
Changes in working capital		
<i>(Increase)/decrease in:</i>		
Inventories	2,736	105,771
Trade and bills receivables	7,221	7,812
Prepayments	19,863	(7,330)
Other receivables	11,643	(21,367)
Due from related parties	–	(1,884)
<i>Increase/(decrease) in:</i>		
Trade and bills payables	(18,081)	(8,714)
Other payables and accruals	4,378	(6,797)
Due to related parties	(1,030)	3,936
Total changes in working capital	26,730	71,427
<i>Cash flows from operations</i>	176,169	155,314
Interest income received	136	652
Interest expense paid	(12,946)	(9,816)
Government grants received	–	800
Income taxes paid	(6,474)	(6,322)
Net cash flows from operating activities	156,885	140,628
Cash flows from investing activities		
Purchase of property, plant and equipment (<i>Note B</i>)	(99,755)	(182,984)
Net cash used in investing activities	(99,755)	(182,984)
Cash flows from financing activities		
Proceeds from loans and borrowings	90,063	315,059
Repayment of loans and borrowings	(120,000)	(240,160)
Decrease/(increase) in bank deposits pledged	6,173	(3,000)
Net cash generated (used in)/from financing activities	(23,764)	71,899
Net increase/(decrease) in cash and cash equivalents	33,366	29,543
Cash and cash equivalents at beginning of period	139,796	200,114
Cash and cash equivalents at end of period	173,162	229,657
<i>(Note A)</i>		

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	
	3 months ended 31/03/2010	3 months ended 31/3/2009
Fixed deposits	15,000	3,000
Cash and bank balances	173,162	229,657
	188,162	232,657
Less: Fixed deposits pledged	(15,000)	(3,000)
Cash and cash equivalents	173,162	229,657

Note B: Property, plant and equipment

	Group RMB'000	
	3 months ended 31/3/2010	3 months ended 31/3/2009
Current period additions to property, plant and equipment	52,879	183,002
Less: Prepayments made in prior year	(6,515)	(277,884)
Payable to creditors	(127,335)	(100,016)
	(80,971)	(194,898)
Add: Prepayments made in current period	34,690	269,374
Payments for prior year purchase	146,036	98,692
Borrowing costs capitalised	-	9,816
Net cash outflow for purchase of property, plant and equipment	99,755	182,984

1(d)(i) Statement of Changes in Equity (for the Issuer and the Group) as at 31 March 2010, together with comparative statements for the corresponding period of the immediately preceding financial year.

	Share capital <i>RMB'000</i>	Statutory reserve fund <i>RMB'000</i>	Hedging reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Proposed final dividend <i>RMB'000</i>	Total equity <i>RMB'000</i>
Group						
As at 1 January 2009	836,671	77,770	19,807	440,731	75,927	1,450,906
Total comprehensive income for the period	—	—	(14,284)	43,224	—	28,940
As at 31 March 2009	<u>836,671</u>	<u>77,770</u>	<u>5,523</u>	<u>483,955</u>	<u>75,927</u>	<u>1,479,846</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group						
As at 1 January 2010		836,671	94,200	514,550	29,222	1,474,643
Total comprehensive income for the period		—	—	75,337	—	75,337
As at 31 March 2010		<u>836,671</u>	<u>94,200</u>	<u>589,887</u>	<u>29,222</u>	<u>1,549,980</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company						
As at 1 January 2009		836,671	19,807	(96,972)	75,927	835,433
Total comprehensive income for the period		—	(14,284)	(2,706)	—	(16,990)
As at 31 March 2009		<u>836,671</u>	<u>5,523</u>	<u>(99,678)</u>	<u>75,927</u>	<u>818,443</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Company						
As at 1 January 2010			836,671	(69,806)	29,222	796,087
Total comprehensive income for the period			—	5,062	—	5,062
As at 31 March 2010			<u>836,671</u>	<u>(64,744)</u>	<u>29,222</u>	<u>801,149</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

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 and issued and fully paid share capital during the three months ended 31 March 2010.

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

The figures have not 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 2009.

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.

Nil.

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	3 months ended 31/3/2010	3 months ended 31/3/2009
Net profit after tax (<i>RMB' 000</i>)		
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,000,000	1,000,000
Basic and fully diluted* earnings per share based on weighted average number of ordinary shares in issue (<i>RMB' cents</i>)	7.5	4.3

* 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.

Net assets value per share	Group		Company	
	31/3/2010	31/12/2009	31/3/2010	31/12/2009
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	<u>1.55</u>	<u>1.47</u>	<u>0.80</u>	<u>0.80</u>

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 1Q2010 increased significantly by about RMB248.4 million or 51.8% from approximately RMB479.2 million in 1Q2009 to approximately RMB727.6 million in 1Q2010. The increase was mainly due to the increase in urea and methanol average selling prices and sales volume. Urea and methanol average selling prices increased 1.0% and 33.8% respectively. The sales volume of urea and methanol increased by 68.8% and 149.3% respectively due to increase in production capacity as the third plant was completed in April 2009 and has begun production since then.

Gross profit margin

Overall gross profit margin increased from 18.3% in 1Q2009 to 20.5% in 1Q2010 due to the increase in gross profit margins of urea, methanol and compound fertiliser.

Gross profit margin of urea increased from 21.1% in 1Q2009 to 24.2% in 1Q2010 due to an increase in urea average selling prices and decline in average cost of sales. Urea average selling prices increased about 1.0% due to the shortage of coal, natural gas and electricity supply in the early part of 1Q2010 which caused a decline in the production utilisation for most producers. The Group also achieved better production efficiency in raw material utilization with the commencement of the third plant, contributing to the decrease in average cost of sales by about 2.9%.

Gross profit margin of methanol increased significantly from negative 32.4% in 1Q2009 to positive 5.3% in 1Q2010. This was due to an increase in average selling prices by about 33.8% and reduction in cost of sales by about 4.3%. Methanol average selling prices increased due to higher oil prices and a stronger economy, resulting from better demand in the DME and other downstream industries. The legalising of methanol use as a fuel additive also helped to boost demand.

Gross profit margin of compound fertiliser increased significantly from negative 3.7% in 1Q2009 to positive 15.9% in 1Q2010. This was mainly due to reduction in average cost of sales by approximately 22.9%. Gross profit margin of compound fertiliser was previously affected by higher-priced raw materials, Mono-Ammonium Phosphate (MAP), purchased in FY2008. As all the higher cost raw materials purchased in FY2008 had been fully consumed in FY2009, the gross profit margin of compound fertiliser is no longer affected by it.

Other income and gains

Other operating income increased by approximately RMB1.7 million or 56.7% from RMB3.0 million in 1Q2009 to RMB4.7 million in 1Q2010. This was due mainly to increase in sales of by-products about RMB1.7 million.

Selling and distribution expenses

Selling and distribution expenses increased by RMB10.8 million or 248.0% from approximately RMB4.4 million in 1Q2009 to RMB15.2 million in 1Q2010. The increase was mainly due to an increase in sales efforts to expand the compound fertiliser customer base which increased selling and distribution cost by about RMB3.5 million. The increase in sales efforts for compound fertiliser was in line with a new compound fertiliser plant completed last year which increased the compound fertiliser capacity to 600k tons this year. In addition, starting from 1Q2010, the Group started to incur transportation cost for delivering goods from the plant to railway station and include the transportation cost in our invoice price, contributing to the increase in selling and distribution expenses by about RMB4.3 million.

General and administrative expenses

General and administrative expenses increased by RMB3.1 million or 14.2% from approximately RMB21.8 million in 1Q2009 to RMB24.9 million in 1Q2010. The increase was mainly due to increase in office expenses by approximately RMB2.0 million arising from the operation of the third plant as well as increase in safety and environmental expenses by approximately RMB1.3 million.

Finance costs

Finance costs increased by RMB3.1 million or 31.9% from approximately RMB9.8 million in 1Q2009 to RMB12.9 million in 1Q2010. The increase was due to additional interest-bearing loans and borrowings drawdown to fund the capital expenditures in FY2009 such as the construction of the third plant.

Income tax expense

Income tax expense increased by approximately RMB5.9 million or 58.0% from approximately RMB10.3 million in 1Q2009 to RMB16.2 million in 1Q2010. The increase was due to higher profits.

Net profit attributable to owners of the Company

The net profit attributable to owners of the Company increased by approximately RMB32.1 million or 74.3% from RMB43.2 million in 1Q2009 to RMB75.3 million in 1Q2010. This is mainly due to the increase in revenue for urea and methanol as a result of the additional production capacity of the third plant and higher profit margin by all products especially methanol due to increase in methanol average selling prices by approximately 33.8%.

FINANCIAL POSITION

Non-current assets

Non-current assets increased by approximately RMB36.0 million or 1.5% from RMB2,379.7 million as at 31 December 2009 to approximately RMB2,415.7 million as at 31 March 2010. Non-current assets comprised property, plant and equipment, land use rights and prepayments for non-current assets. Non-current assets increased as prepayments increased by about RMB28.2 million due to technical upgrades in the first and second plants.

Current assets

Current assets decreased by approximately RMB19.9 million or 3.8% from RMB530.8 million as at 31 December 2009 to RMB510.9 million as at 31 March 2010 which is mainly attributed to decrease in bills receivables, prepayments, deposits and other receivables by approximately RMB12.8 million, RMB19.9 million and RMB11.6 million respectively. The decrease was offset by an increase in cash and bank balances of approximately RMB27.2 million. Bills receivables decreased due to the use of bills to pay for raw material purchases. Prepayments to suppliers reduced due to delays in compound fertiliser raw material purchases as the raw material prices were on declining trend. Deposits and other receivables reduced due mainly to input VAT being offset against output VAT.

Current liabilities

Current liabilities decreased by approximately RMB59.3 million or 11.7% from RMB508.9 million as at 31 December 2009 to RMB449.6 million as at 31 March 2010. This is mainly due to the decrease in trade payables, bills payables and interest-bearing borrowings by RMB6.7 million, RMB11.3 million and RMB30.0 million respectively. Trade payables reduced due to less coal purchased in 1Q2010 as we have purchased sufficient coal reserves during winter time. Bill payable reduced due to repayment of the bills payable upon maturity.

Non-current liabilities

Non-current liabilities remained at RMB927.0 million as at 31 March 2010 and 31 December 2009 as there is no new loans and borrowings taken in 1Q2010.

CASH FLOW

Cash and cash equivalents increased by RMB33.4 million in 1Q2010. This was due mainly to cash generated from operations of RMB156.9 million, partially offset by the increase in investing activities and decrease in financing activities by approximately RMB99.7 million and RMB23.8 million respectively.

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.

Average selling prices for urea declined in March and April 2010 due to the extended winter in northern China, which lowered demand for fertilisers. The start of spring and support from recent agricultural government policies are expected to boost demand while supporting urea prices.

We expect coal prices to remain stable this year as compared to FY2009. But higher electricity prices and possible increase in gas prices will lead to higher production costs in the industry, which will act as a support for urea prices. Reduced export tariffs of 7% during the off peak season will promote exports, further improving demand.

Methanol average selling prices in FY2010 are expected to be higher than FY2009 due to expected better demand from the downstream industries such as from the DME industry, etc. The use of methanol as a fuel additive should also boost demand in FY2010.

As farmers become more sophisticated and increasingly use more compound fertilisers, we expect demand for compound fertilisers to strengthen.

Overall, our Directors are optimistic over the prospects for 2010 as compared to 2009. Our overall cost efficiency in 2010 are expected to be better than 2009 after the commencement of our third plant in April 2009 and the completion of upgrade in our first plant in February 2010. Our Directors are also hopeful over the strong agricultural government policies such as subsidies to farmers which should support the long term development in the fertiliser industry.

Whilst we are already one of the largest and most efficient urea producers in the PRC, our next step is to improve our competitiveness by exploring more advanced technologies to further lower our production cost and increase capacities.

11. Dividend

(a) Current financial period reported on

The Company did not recommend or declare any dividend for the financial period ended 31 March 2010.

(b) Corresponding period of the immediately preceding financial year

The Company did not declare or pay any dividend for the financial period ended 31 March 2009.

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

No dividend has been declared or recommended.

CONFIRMATION BY THE BOARD

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the 1Q2010 financial results of the Company and the Group to be materially false or misleading.

By Order of the Board
Yan Yunhua
Chief Financial Officer

27 April 2010