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CHINA XLX FERTILISER LTD.
中國心連心化肥有限公司*

(Incorporated in Singapore with limited liability)
(Hong Kong Stock Code: 1866)

ANNOUNCEMENT OF UNAUDITED BUSINESS UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") hereby announces that the Company and its subsidiaries (the "**Group**") are pleased to present the unaudited business updates for the nine months ended 30 September 2020 ("**9M2020**").

With the Novel Coronavirus ("**COVID-19**") pandemic under control in the PRC since April 2020, the transportation for goods largely restored to normal. The negative effects from the COVID-19 have largely been contained. The Group managed to increase the proportion of high-efficiency fertilisers, improved production flexibility, and expanded the sales network of compound fertilisers. Hence, its financial performance has rebounded and overall profitability improved.

The unaudited consolidated revenue of the Group increased by approximately RMB493 million or 7% from approximately RMB7,035 million for the nine months ended 30 September 2019 ("**9M2019**") to approximately RMB7,529 million for 9M2020. The unaudited consolidated net profit of the Group increased by approximately RMB7 million or 2% from approximately RMB412 million for 9M2019 to approximately RMB420 million for 9M2020. However, due to the increase in minority interest in the Group's main subsidiary, Henan Xinlianxin Fertiliser Co. Ltd, during 9M2020, the unaudited total comprehensive income attributable to the owners of the parent decreased by approximately RMB47 million or 14% from approximately RMB328 million for 9M2019 to approximately RMB281 million for 9M2020.

UREA

Revenues of the Group for 9M2020 derived from the sales of finished urea and urea solution for vehicle totaled approximately RMB2,757 million, which was largely the same year on year as compared to 9M2019 ("**YoY**"). Due to the strong profitability of urea solution for vehicle, the Group's urea production line actively adjusted the product mix based on changing market demands while maintaining production at the full capacity. As a result, the output of urea solution for vehicle was increased while output of finished urea was reduced. In particular:

1. the sales volume of finished urea was approximately 1,491,000 tons, representing a decrease of approximately 2% YoY, and sales revenue was approximately RMB2,343 million, representing a decrease of approximately RMB334 million or 12% YoY. This was mainly due to the impact of the market environment, which caused the average selling price of the Group's finished urea to drop by approximately 11% YoY.

2. the sales volume of urea solution for vehicle was approximately 296,000 tons, representing an increase of approximately 340% YoY, and sales revenue was approximately RMB414 million, representing an increase of approximately RMB 327 million or 376% YoY. This is mainly due to the country's increasing emphasis on environmental protection. In May this year, the Announcement on Relevant Requirements for Adjustments to the Implementation of the China VI Emission Standard for Light-duty Vehicles was issued, which raised the emission standards for motor vehicles and required strict control limits. Leveraging on this favorable national policy, the Group expanded its marketing network and developed distribution channels, which resulted in a significant increase in sales of urea solution for vehicle. Market prospects for urea solution for vehicle will continue to be positive with high development potential.

COMPOUND FERTILISERS

Revenue derived from the sales of compound fertilisers increased by approximately RMB207 million or 9% from approximately RMB2,337 million for 9M2019 to approximately RMB2,544 million for 9M2020, due mainly to the increase in sales volume by approximately 15% as we expanded our sales network. The sales volume of compound fertilisers increased to 1,281,000 tons for 9M2020. The increase in sales volume was partially offset by a decrease in average selling price of compound fertilisers of approximately 5%.

Gross profit margin of compound fertilisers of the Group increased to approximately 18.1% in 9M2020 from approximately 15.4% in 9M2019. The increase was mainly due to the decrease in average cost of raw material, such as phosphate fertilizer and potash fertilizer, by approximately 5% and 11.6% YoY respectively, and the increase in the sales of high-efficiency fertilisers which enjoyed a higher gross profit margin.

METHANOL

Revenue derived from the sales of methanol increased by approximately RMB165 million or 304% from approximately RMB54 million for 9M2019 to approximately RMB220 million for 9M2020. The increased sales of methanol mainly derived from the new capacity from Xinjiang production base after production facilities calibration and newly-developed methanol trading business.

Gross profit margin of methanol of the Group decreased to approximately negative 0.6% for 9M2020 from approximately 1.7% for 9M2019. This was due mainly to the continued weak international energy prices which in turn caused the drop in the average selling price of methanol by approximately 35% YoY, and such drop was greater than the drop in the average production cost (purchase price of coal) of methanol. After considering market conditions, the Group reduced the production of methanol which profit margin has been greatly affected. Instead, the Group has developed profitable methanol trading business to reduce the negative impacts from the market downturn.

DIMETHYL ETHER (DME)

Revenue derived from the sales of DME decreased by approximately RMB166 million or 25% from RMB676 million for 9M2019 to approximately RMB510 million for 9M2020. The decrease was due mainly to the continued weak international energy prices, causing the average selling price and sales volume of DME to drop by 18% and 8% YoY respectively, which in turn affected the sales revenue of DME.

Gross profit margin of DME of the Group decreased by approximately 4 percentage point to approximately 3.2% for 9M2020 from approximately 6.8% for 9M2019.

MELAMINE

Revenue derived from the sales of melamine decreased by approximately RMB27 million or 5% from RMB501 million for 9M2019 to approximately RMB474 million for 9M2020. The decrease was due mainly to a drop in the average selling price of melamine by 14% YoY which was largely the result of the weakened demand in domestic chemical products and the negative impact of COVID-19. The decrease of the average selling price of melamine was partially offset by the increase in sales volume by 10% YoY. Due to the impact of the epidemic, consolidation in the melamine industry has accelerated. As a result of cost advantage of Xinjiang base, the Group managed to further increase its market share.

Gross profit margin of melamine of the Group decreased by approximately 5 percentage points to approximately 31.2% for 9M2020 from approximately 36.2% for 9M2019. Under the context that the melamine producers in the PRC have generally recorded losses, the Group leveraged on its technology and cost advantages and managed to maintain the gross profit margin of melamine products above 30%.

FURFURYL ALCOHOL

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB55 million or 18% from approximately RMB311 million for 9M2019 to approximately RMB366 million for 9M2020. The increase in sales revenue was due mainly to the increase in sales volume of approximately 26% YoY to 41,520 tons for 9M2020, which was partially offset by a drop in average selling price of furfuryl alcohol products by approximately 7% YoY.

Gross profit margin of furfuryl alcohol products increased by approximately 2 percentage points from approximately 10.7% for 9M2019 to 12.5% for 9M2020. Leveraging on its scale advantages and technology, the Group reduced the cost of sales of furfuryl alcohol by approximately 9% YoY. The reduction in cost was greater than the 7% YoY drop in furfuryl alcohol selling price.

Despite the challenging macro-economic environment, the Group will always adhere to low cost and differentiation strategies, actively research and develop high-efficiency fertilizers, increase sales and improve market share, and at the same time flexibly adjust production mix based on market conditions to maximise the revenue, hence elevate the Group's competitiveness in the market. In addition, the Group's projects under construction are also progressing as planned. The Xinxiang production line relocation project has been completed and put into operation, and the Jiangxi base construction project is expected to be put into operation as scheduled. At the same time, the Group is also accelerating the close of the old-fashioned fixed-bed production process in Plant II and Plant III in accordance with regulatory requirements (such closure will likely have impairment implications which the Company is currently assessing), increasing the proportion of advanced coal gasification processes, and further improving its technology and cost advantages on the basis of the enhanced scale advantage. As a result, in the face of a changing market environment, the Group can improve its fertilizers and chemical products operations and increase its flexibility in adjusting the product mix, thereby improving the Group's profitability and the ability to withstand market fluctuations.

By Order of the Board
China XLX Fertiliser Ltd.
Liu Xingxu
Chairman

20 November 2020

As at the date of this announcement, the executive directors of the Company are Mr. Liu Xingxu, Mr. Zhang Qingjin and Ms. Yan Yunhua; the independent non-executive directors of the Company are Mr. Ong Kian Guan, Mr. Li Shengxiao, Mr. Ong Wei Jin and Mr. Li Hongxing.

** for identification purpose only*