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 THREE MONTHS ENDED 31 MARCH 2021

The board of directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") hereby announces the unaudited business update of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2021 ("**3M2021**").

With the pandemic gradually easing and the economic continue to improve, the recovery of the domestic fertilisers and chemical products market has accelerated. The unaudited consolidated revenue of the Group increased by RMB784 million or approximately 33% from approximately RMB2,368 million for the three months ended 31 March 2020 ("**3M2020**") to approximately RMB3,152 million for 3M2021. The unaudited consolidated net profit of the Group increased by approximately RMB204 million or 282% from approximately RMB73 million for 3M2020 to approximately RMB277 million for 3M2021. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB153 million or 318% from approximately RMB48 million for 3M2020 to approximately RMB201 million for 3M2021.

UREA

Revenue derived from the sales of urea increased by approximately RMB27 million or 3% from 834 million for 3M2020 to approximately RMB860 million for 3M2021. This was mainly due to the increase in the average selling price of urea products of the Group by approximately 15% year-on-year ("**YoY**"). The increase was partially offset by the decreased in the sales volume of urea by approximately 10% YoY. Sales volume of urea for 3M2021 was approximately 470,000 tons. The Group has actively adjusted its product structure in response to the ever-changing market demands. Through flexible adjustments between products, the Group has actively reduced the production of urea, which in turn increased the production of vehicles urea solution, resulting in a substantial increase in the sales of urea solutions.

Gross profit margin of urea of the Group increased by 10 percentage points to approximately 37.1% for 3M2021 from approximately 26.7% for 3M2020 due mainly to the increase in the average selling price of urea products of the Group.

UREA SOLUTION FOR VEHICLE

Revenue derived from the sales of urea solution for vehicle increased by approximately RMB31 million or 44% from approximately RMB71 million for 3M2020 to approximately RMB102 million for 3M2021. With the increasing market demand, and leveraging on cost advantages, standardized production and various base developments, the Group has significantly increased its market share and has improved the sales volume by expanding its distribution network, resulting in a year-on-year growth of 62% in terms of sales volume.

Gross profit margin of sales of urea solution for vehicle increased by approximately 7 percentage points from approximately 26.1% for 3M2020 to 33.4% for 3M2021.

COMPOUND FERTILISERS

Revenue derived from the sales of compound fertilisers increased by approximately RMB65 million or 9% from approximately RMB758 million for 3M2020 to approximately RMB823 million for 3M2021, due mainly to the increase in the average selling price and sales volume by approximately 5% and 4% YoY respectively. The sales volume of compound fertilisers increased to 405,000 tons for 3M2021.

Gross profit margin of compound fertilisers of the Group increased by approximately 2 percentage points to 15.4% in 3M2021 from approximately 13.1% in 3M2020. The increase was mainly due to the increase in average selling price of compound fertilisers.

METHANOL

Revenue derived from the sales of methanol increased by approximately RMB177 million or 195% from approximately RMB91 million for 3M2020 to approximately RMB268 million for 3M2021. The increased sales of methanol were a result of the increase in average selling price and sales volume of methanol of the Group by 31% and 124% YoY respectively. The increased sales volume mainly contributed by the additional production capacity of the third production base in Jiujiang.

Gross profit margin of methanol of the Group increased by 21 percentage point to approximately 20.6% for 3M2021 from approximately -0.18% for 3M2020. This was mainly due to the rebound in international energy prices which in turn caused the increase in the average selling price of methanol by approximately 31% YoY.

DIMETHYL ETHER (DME)

Revenue derived from the sales of DME increased by approximately RMB34 million or 15% from RMB224 million for 3M2020 to approximately RMB258 million for 3M2021. The increase was mainly due to a YoY increase in the average selling price and selling volume of DME by 10% and 5% respectively.

The gross profit margin of DME of the Group increased by approximately 11 percentage point to approximately 23.7% for 3M2021 from approximately 12.3% for 3M2020 as a result of the increase in the average selling price and the decrease in the average production cost of DME.

MELAMINE

Revenue derived from the sales of melamine increased by approximately RMB77 million or 48% from RMB162 million for 3M2020 to approximately RMB239 million for 3M2021. The increase was mainly due to a YoY increase in the average selling price and sales volume of melamine by 32% and 12% respectively which was a result of the strong rebound in demand in domestic chemical products after the containment of COVID-19 pandemic.

Gross profit margin of melamine of the Group increased by approximately 19 percentage point to approximately 53.1% for 3M2021 from approximately 34.4% for 3M2020.

FURFURYL ALCOHOL

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB45 million or 47% from approximately RMB95 million for 3M2020 to approximately RMB139 million for 3M2021. This was mainly due to a YoY increase in the average selling price and sales volume of furfuryl alcohol by 20% and 23% respectively.

Gross profit margin of furfuryl alcohol products decreased by 1.7 percentage points from approximately 12.5% for 3M2020 to 10.8% for 3M2021, mainly as a result of the increase in the average cost of sales of furfuryl alcohol by approximately 23% YoY due to the increase in the cost of major raw material (furfural).

DEVELOPMENT PROSPECTS

Since 2021, with the proposal of "Peak Emissions, Carbon Neutrality", it is inevitable that the elimination of obsolete production capacity will be accelerated, the demand and supply of the market will be improved and the pace of the new production capacity will slow down. Meanwhile, the global food prices will continue to rise as the evolution of agricultural policies continue. The strong rebound of chemical product market in the post-pandemic era will draw in a new round of growth opportunities, which benefits the development of the leading companies in the industry. In the face of the dual impact of both new policies and post-pandemic era, it is without a doubt a major benefit for the leading companies in the industry. The Group will leverage its technological advantages and differentiated advantages to further enhance its position in the industry. In addition, the operation of the third production base in Jiujiang has commenced smoothly and in a timely manner, which have helped the Group to gain the first-mover advantage in the establishment of production bases across the state and speed up the development of the Group's market competitiveness. The enhancement and the redevelopment of the Group's fixed beds in factory no. two and three have also been proceeded orderly, and is expected to be put into operation in the fourth quarter, which speed up the adjustment and development of the industrial structure, and further sharpen our technological advantages and cost advantages on the basis of the advantages brought by an enhanced scale. This lays the foundation for the Group to be flexible in adapting the new normal and decisive in seizing new opportunities under the new market environment.

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

25 June 2021

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*