**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 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 nine months ended 30 September 2021 ("**9M2021**") and the three months ended 30 September 2021 ("**3Q2021**").

With the resurgence of the pandemic, restrictions on food export and rising global agriculture food prices, demand and prices for domestic fertilisers and chemical products further increased. With the addition of the third production base in Jiangxi Jiujiang successfully commissioned in February 2021, the Group's production capacity reached a new height and achieved record profits.

The unaudited consolidated revenue of the Group increased by approximately RMB4,233 million or 56% from approximately RMB7,529 million for the nine months ended 30 September 2020 ("**9M2020**") to approximately RMB11,762 million for 9M2021. The unaudited consolidated net profit of the Group increased by approximately RMB975 million or 232% from approximately RMB420 million for 9M2020 to approximately RMB1,395 million for 9M2021. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB741 million or 264% from approximately RMB281 million for 9M2020 to approximately RMB1,022 million for 9M2021.

The unaudited consolidated revenue of the Group for the 3Q2021 increased by approximately 62% from approximately RMB2.589 billion in the three months ended 30 September 2020 ("**3Q2020**") to approximately RMB4.189 billion. The unaudited consolidated net profit of the Group for 3Q2021 increased by approximately 224% from 3Q2020 to approximately RMB506 million. The unaudited total comprehensive income attributable to the owners of the parent for 3Q2021 increased by 272% from approximately RMB101 million for 3Q2020 to approximately RMB376 million. During the third quarter, Henan headquarters and Xinjiang Base completed the 7-day and 15-day maintenance works respectively as scheduled to ensure a long-term, safe and stable production.

## UREA

Revenue derived from the sales of urea increased by approximately RMB1,063 million or 45% from RMB2,343 million for 9M2020 to approximately RMB3,406 million for 9M2021. This was mainly due to the increase in sales volume and the average selling price of urea products of the Group by approximately 9% and 34% year on year ("**YoY**"), respectively. Sales volume of urea for 9M2021 was approximately 1,623,000 tons.

Gross profit margin of urea of the Group increased by approximately 4 percentage points to approximately 37% for 9M2021 from approximately 33% for 9M2020.

## UREA SOLUTION FOR VEHICLE

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB54 million or 13% from approximately RMB414 million for 9M2020 to approximately RMB360 million for 9M2021. This was mainly due to the decrease in sales volume and the average selling price of urea solution for vehicle products of the Group by approximately 10% and 4% YoY, respectively. Sales volume of urea solution for vehicle for 9M2021 was approximately 268,000 tons. Due to a strong rebound in urea price, the Group has actively adjusted its product structure to allocate more production capacity in response to the increasing demands of urea. The production volume for urea solution for vehicle decreased slightly.

Gross profit margin of sales of urea solution for vehicle decreased by approximately 4 percentage points from approximately 37% for 9M2020 to 33% for 9M2021.

## COMPOUND FERTILISERS

Revenue derived from the sales of compound fertilisers increased by approximately RMB279 million or 11% from approximately RMB2,544 million for 9M2020 to approximately RMB2,823 million for 9M2021, mainly due to the increase in average selling price by approximately 15% YoY. This was partially offset by a decrease in sales volume by 4% YoY to 1,234,000 tons for 9M2021.

Gross profit margin of compound fertilisers of the Group decreased to approximately 15% in 9M2021 from approximately 18% in 9M2020. The decrease was mainly due to a higher increase in average cost of raw material, such as phosphate and potash fertilisers, by approximately 45% and 30%, respectively.

## METHANOL

Revenue derived from the sales of methanol increased by approximately RMB1,004 million or 456% from approximately RMB220 million for 9M2020 to approximately RMB1,224 million for 9M2021. The increased sales of methanol were a result of the increase in average selling price and sales volume of the Group by 69% and 229% YoY, respectively. The increased sales of methanol mainly derived from the new capacity from the third production base in Jiujiang.

Gross profit margin of methanol of the Group increased by 14 percentage points to approximately 16% for 9M2021 from approximately 2% for 9M2020. 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 69% YoY.

## DIMETHYL ETHER (DME)

Revenue derived from the sales of DME increased by approximately RMB475 million or 93% from RMB510 million for 9M2020 to approximately RMB985 million for 9M2021. The increase was mainly due to a increase in the average selling price and selling volume of DME by 34% and 44% YoY, respectively.

Gross profit margin of DME of the Group increased by approximately 14 percentage points to approximately 18% for 9M2021 from approximately 4% for 9M2020 as a result of the increase in the average selling price of DME.

## MELAMINE

Revenue derived from the sales of melamine increased by approximately RMB333 million or 70% from RMB474 million for 9M2020 to approximately RMB807 million for 9M2021. The increase was mainly due to an increase in the average selling price of melamine by 89% YoY which was largely the result of the strong rebound in demand in the domestic chemical products after the containment of the pandemic. The increase was partially offset by the reduction in the sales volume by 10% YoY. The decline in sales was mainly attributable to a scheduled shutdown carried out for maintenance in mid-September, to ensure the safety of our production.

Gross profit margin of melamine of the Group increased by approximately 29 percentage points to approximately 66% for 9M2021 from approximately 37% for 9M2020.

## FURFURYL ALCOHOL

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB185 million or 51% from approximately RMB366 million for 9M2020 to approximately RMB551 million for 9M2021. The increase in sales revenue was mainly due to the increase of average selling price of approximately 58% YoY, which was partially offset by a drop in sales volume of furfuryl alcohol products by approximately 5% YoY to approximately 40,000 tons for 9M2021.

Gross profit margin of furfuryl alcohol products of the Group increased from approximately 15% for 9M2020 to 17% for 9M2021, as the average selling price of furfuryl alcohol increased.

## PROSPECTS AND OUTLOOK

Due to continuous impacts of the pandemic and restrictions on food export, global food supplies have become tight and China has paid more attention to food security. The government's policies on grain replanting and land re-cultivation have further increased the demand for fertiliser products from the agricultural industry. In addition, as the "dual carbon" policy being implemented, obsolete production capacity has been eliminated rapidly, new production capacity has been strictly controlled, and entry barriers for coal chemical industry have been raised, thus the Group benefited from these as being a quality enterprise. The tight balance of supply and demand as well as the continuous increase in food prices will support the fertiliser products being priced in a rising and continuous trend. The capacity space freed by obsolete production technology will be occupied by leading companies with large scale, superior technology and low cost. The Group will rely on the advantages including the location, technology, low-cost products + differentiation of the three major bases to strengthen the continuous research and development of high-efficiency fertilisers. While increasing its market shares, it will gradually extend to the fine chemical industry chain, thereby diversifying green and low-carbon sustainable development of coal chemical industry.

The fixed-bed renovation and upgrading project of the Group's second and third plants is expected to be completed and put into production in the fourth quarter this year, whereupon the three major bases of the Group will fully realize advanced production technology and further release high-quality production capacity to boost the Group's high-quality development and enhance its position in the industry.

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

Hong Kong, 12 November 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*