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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") is pleased to announce its consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4, 5	**16,815,321**	10,444,722
Cost of sales		**(12,426,464)**	(8,230,163)
Gross profit	4	**4,388,857**	2,214,559
Other income and gains	5	**169,368**	198,730
Selling and distribution expenses		**(762,708)**	(620,599)
General and administrative expenses		**(934,618)**	(624,260)
Other expenses		**(88,589)**	(129,755)
Finance costs	6	**(583,370)**	(401,379)
Impairment losses on financial assets		**(14,570)**	(5,640)
Share of profits/(losses) of associates		**1,232**	(582)
Profit before tax	7	**2,175,602**	631,074
Income tax expense	8	**(406,232)**	(106,926)
Profit for the year		**1,769,370**	524,148
Profit attributable to:			
Owners of the parent		**1,294,139**	347,662
Non-controlling interests		**475,231**	176,486
Total comprehensive income for the year		**1,769,370**	524,148
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB cents per share)*	10	**110.46**	29.67

Details of the dividends proposed for the year are disclosed in note 9 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		Group	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**18,056,011**	15,000,465
Right-of-use assets		**980,046**	1,140,330
Intangible assets		**65,965**	63,385
Goodwill		**63,022**	63,022
Coal mining rights		**236,961**	84,643
Equity investments at fair value through profit or loss		**6,708**	6,708
Prepayments for purchases of property, plant and equipment		**81,892**	120,060
Other assets		**36,883**	101,115
Deferred tax assets		**102,523**	100,430
Investments in associates		**95,643**	94,411
Pledged time deposits		**9,700**	1,400
Total non-current assets		**19,735,354**	16,775,969
Current assets			
Due from related companies		**8,890**	1,804
Derivative financial instruments		**28**	–
Equity investments at fair value through profit or loss		**13,076**	16,092
Inventories		**1,607,385**	992,149
Trade and bills receivables	*11*	**1,004,578**	743,392
Prepayments		**1,027,737**	514,181
Deposits and other receivables		**472,664**	509,988
Pledged time deposits		**743,845**	706,035
Cash and cash equivalents		**893,116**	682,041
Other assets		**–**	13,441
Total current assets		**5,771,319**	4,179,123
TOTAL ASSETS		**25,506,673**	20,955,092

	Notes	Group 2021 RMB'000	2020 RMB'000
Current liabilities			
Due to related companies		**81,166**	12,239
Trade payables	*12*	**774,423**	508,978
Bills payable	*13*	**850,474**	1,110,814
Contract liabilities		**1,079,227**	818,149
Accruals and other payables		**1,815,284**	1,847,288
Income tax payable		**167,055**	42,709
Deferred grants		**9,619**	9,317
Loans from non-controlling interests		**–**	24,870
Interest-bearing bank and other borrowings		**6,402,213**	4,137,660
Lease liabilities		**2,541**	45,343
Bonds payable		**198,222**	–
Other liabilities		**5,983**	–
Total current liabilities		**11,386,207**	8,557,367
NET CURRENT LIABILITIES		**(5,614,888)**	(4,378,244)
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,120,466**	12,397,725
Non-current liabilities			
Loan from non-controlling interests		**47,800**	–
Interest-bearing bank and other borrowings		**4,966,562**	5,210,059
Deferred grants		**71,881**	82,105
Deferred tax liabilities		**68,520**	50,143
Provision for rehabilitation		**25,342**	24,723
Accruals and other payables		**549,896**	89,117
Due to a related company		**–**	114
Lease liabilities		**20,717**	27,198
Bonds payable		**296,482**	489,892
Other liabilities		**111,884**	–
Total non-current liabilities		**6,159,084**	5,973,351
TOTAL LIABILITIES		**17,545,291**	14,530,718
NET ASSETS		**7,961,382**	6,424,374

		Group	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
Equity attributable to owners of the parent			
Share capital		**1,194,686**	1,194,686
Special reserve		**4,127**	4,599
Statutory reserve fund		**510,920**	200,307
Other reserve		**2,202,942**	2,217,760
Retained profits		**1,780,875**	913,081
		5,693,550	4,530,433
Non-controlling interests		**2,267,832**	1,893,941
TOTAL EQUITY		**7,961,382**	6,424,374
TOTAL EQUITY AND LIABILITIES		**25,506,673**	20,955,092

1. CORPORATION INFORMATION

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are primary-listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore, 068898. The Group's headquarters and principal places of business are located in Xinxiang Economic Development Zone, Henan Province; Taxihe Industrial Park, Baojiadian Town, Manas County, Changji Prefecture, Xinjiang Province; and Jishan Industrial Zone, Jiujiang City, Jiangxi Province in the People's Republic of China (the "**PRC**"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are mainly the development, manufacturing, and trading of related differentiated products such as urea, compound fertiliser, methanol, dimethyl ether (DME), melamine, furfuryl alcohol, furfural, 2-methylfuran and medical intermediate.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and International Financial Reporting Standards ("**IFRSs**"). For the purpose of SFRS(I)s, financial statements that have been prepared in accordance and complied with IFRSs are deemed to have also complied with SFRS(I)s. SFRS(I)s comprise standards and interpretations that are equivalent to IFRSs.

These financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies. These financial statements are presented in Renminbi ("**RMB**") and all values in the tables are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

The Group has not adopted the following standards and interpretation applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to IFRS 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16: *Property, Plant and Equipment – Proceeds before* Intended Use	1 January 2022
Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020	1 January 2022
Amendments to IAS 1: Presentation of Financial Statements: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8: *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 10 and IAS 28: *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the other standards and interpretation above will have no material impact on the financial statements in the period of initial application.

4. OPERATING SEGMENT INFORMATION

An analysis by principal activity of contribution to the results is as follows:

For the year ended 31 December 2021	Urea	Urea Solution for vehicle	Compound fertiliser	DME and methanol	Melamine	Furfuryl alcohol	Medical intermediate	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	4,958,771	555,748	3,753,686	3,197,466	1,205,808	834,896	507,841	1,801,105	–	16,815,321
Intersegment sales	809,226	153,198	654,642	198,887	243,713	17	1,584	532,293	(2,592,560)	–
Total revenue	5,767,997	708,946	4,408,328	3,396,353	1,449,521	834,913	509,425	2,332,398	(2,592,560)	16,815,321
Segment profit	1,662,055	174,297	492,783	395,897	780,102	127,252	109,015	647,456	–	4,388,857
Interest income										21,859
Unallocated other income and gains										147,509
Unallocated expenses, net										(1,799,253)
Finance costs										(583,370)
Profit before tax										2,175,602
Income tax expense										(406,232)
Profit for the year										1,769,370
Other segment information:										
Loss on disposed of items of property, plant and equipment *(note 7)*										46,610
Depreciation of property, plant and equipment *(note 7)*										1,013,436
Amortisation of intangible assets *(note 7)*										7,824
Depreciation of right-of-use assets *(note 7)*										43,759
Amortisation of coal mining rights *(note 7)*										3,486
Capital expenditure*										4,116,710

* Capital expenditure consists of addition to property, plant and equipment, right-of-use assets and intangible assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

An analysis by principal activity of contribution to the results is as follows:

For the year ended 31 December 2020	Urea	Urea Solution for vehicle	Compound fertiliser	DME and methanol	Melamine	Furfuryl alcohol	Medical intermediate	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	3,080,023	573,792	3,157,583	1,262,441	621,350	524,189	231,511	993,833	–	10,444,722
Intersegment sales	661,588	145,525	342,832	261,446	101,124	41	–	257,466	(1,770,022)	–
Total revenue	3,741,611	719,317	3,500,415	1,523,887	722,474	524,230	231,511	1,251,299	(1,770,022)	10,444,722
Segment profit	841,763	188,245	541,515	56,455	201,316	72,739	39,287	273,239	–	2,214,559
Interest income										18,711
Unallocated other income and gains										180,019
Unallocated expenses, net										(1,380,836)
Finance costs										(401,379)
Profit before tax										631,074
Income tax expense										(106,926)
Profit for the year										524,148
Other segment information:										
Gain on disposal of property, plant and equipment *(note 5)*										(27,280)
Depreciation of property, plant and equipment *(note 7)*										723,266
Amortisation of intangible assets *(note 7)*										7,409
Depreciation of right-of-use assets *(note 7)*										53,618
Amortisation of coal mining rights *(note 7)*										1,537
Capital expenditure*										5,813,391

* Capital expenditure consists of addition to property, plant and equipment and intangible assets including assets acquired from the acquisition of subsidiaries.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts. An analysis of the Group's revenue, other income and gains is as follows:

	2021	2020
	RMB'000	*RMB'000*
REVENUE		
Sale of goods	**16,815,321**	10,444,722
OTHER INCOME AND GAINS		
Bank interest income	**21,859**	18,711
Net profit from sales of by-products, water, electricity and steam	**89,987**	74,809
Amortisation of deferred grants	**10,152**	12,670
Subsidy income	**25,343**	33,282
Compensation income	**2,481**	7,016
Rental income	**4,550**	2,190
Gain on disposal of property, plant and equipment	**–**	27,280
Gain on other investments	**204**	2,706
Gain/(loss) on derivative financial instruments	**550**	(2,194)
Exchange gains	**235**	15,691
Others	**14,007**	6,569
Total other income and gains	**169,368**	198,730

6. FINANCE COSTS

The Group's finance costs are analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans, other loans and bonds	**581,439**	394,261
Interest on lease liabilities	**1,931**	7,107
Interest on government loans	**–**	11
	583,370	401,379

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2021	2020
	RMB'000	*RMB'000*
Cost of inventories sold	**12,426,464**	8,230,163
Depreciation of property, plant and equipment	**1,013,436**	723,266
Amortisation of intangible assets	**7,824**	7,409
Depreciation of right-of-use assets	**43,759**	53,618
Amortisation of coal mining rights	**3,486**	1,537
Minimum lease payments under operating leases:		
Factories	**5,627**	8,678
Buildings	**93**	225
Land	**83**	114
	5,803	9,017
Auditor's remuneration	**4,188**	4,138
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	**959,925**	706,921
Pension scheme contributions (defined contribution scheme)	**119,461**	85,674
Benefits in kind	**88,516**	74,253
Share-based payment expense	**11,419**	–
	1,179,321	866,848
Impairment losses on financial assets	**14,570**	5,640
Impairment of property, plant and equipment	**5,856**	113,109
Impairment of inventories	**10,650**	1,727
Unrealised exchange losses/(gains), net	**750**	(5,941)
Realised exchange gains, net	**(985)**	(9,750)
Loss on fair value changes of financial instruments through profit or loss, net	**2,988**	4,811
Loss on disposal of property, plant and equipment	**46,610**	–
Donations	**11,867**	5,586

8. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% (2020: 17%) for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The Company's subsidiaries in Mainland China are subject to income tax rate of 25% (2020: 25%). In 2021, eleven of the subsidiaries were awarded the New/High Tech Enterprise Award as recognition of its innovation and use of state-of-the-art equipment. This award brought these subsidiaries a tax concession of a lower income tax rate (i.e., 15%) for three years since the subsidiaries awarded the New High Tech Enterprise Award.

The major components of income tax expense for the financial years ended 31 December 2021 and 2020 are:

	Group	
	2021	2020
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**412,853**	133,510
Over provision in respect of prior years	**(22,905)**	(9,146)
Deferred charge/(credit)	**16,284**	(17,438)
Total tax charge for the year	**406,232**	106,926

9. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final dividend – RMB19 cents (2020: RMB10 cents) per ordinary share	**222,608**	117,162

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) of 1,171,621,000 (2020: 1,171,621,000), as adjusted to reflect the convertible bonds issued in 2011.

The calculations of basic and diluted earnings per share are based on the following data:

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**1,294,139**	347,662

	2021	2020
	Number of shares	*Number of shares*
Shares		
Weighted average number of ordinary shares (inclusive of mandatorily convertible instruments issued) for the purpose of calculating basic and diluted earnings per share	**1,171,621,000**	1,171,621,000

11. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**341,551**	204,032
Bills receivable	**663,027**	539,360

Trade receivables are non-interest-bearing and are normally settled on terms of 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's bills receivable are non-interest-bearing and are normally settled on terms of 90 to 180 days. Trade and bills receivables are denominated in RMB.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly payment in advance or on credit for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

An ageing analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**155,707**	119,892
1 to 3 months	**106,227**	31,829
3 to 6 months	**39,066**	37,092
6 to 12 months	**40,551**	9,314
Over 12 months	**–**	5,905
	341,551	204,032

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**498,667**	169,569
1 to 3 months	**179,668**	109,120
3 to 6 months	**48,715**	65,384
6 to 12 months	**19,789**	121,958
Over 12 months	**27,584**	42,947
	774,423	508,978

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. Trade payables are denominated in RMB.

13. BILLS PAYABLE

The Group's bills payable have an average maturity period of 180 days and are non-interest-bearing. Bills payable are denominated in RMB and are secured by time deposits of RMB538,418,000 (2020: RMB601,501,000).

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

Along with the resurgence of the pandemic, stoked by global supply chain disruption, surging energy prices and food prices, demand and prices for domestic fertilisers and petrol chemical related products increased in 2021.

With the addition of the Third Production Base in Jiangxi Jiujiang successfully commissioned in February 2021,the fixed-bed renovation and upgrading project of the Group's second and third plant in Henan Xinxiang completed and put into production in the fourth quarter of 2021,the Group's production capacity and efficiency reached a new milestone and achieved record revenue and profitability.

Revenue

Revenue increased by RMB6,370 million or approximately 61% from RMB10,445 million in the financial year ended 31 December 2020 ("**FY2020**") to RMB16,815 million in the financial year ended 31 December 2021 ("**FY2021**").

Urea

Finished urea products

Revenue derived from the sales of urea increased by approximately RMB1,879 million or 61% from RMB3,080 million for FY2020 to approximately RMB4,959 million for FY2021. This was mainly due to the increase in sales volume and the average selling price of urea products of the Group by approximately 16% and 39% year on year ("**YoY**"), respectively. Sales volume of urea for FY2021 was approximately 2,264,000 tons.

Urea solution for vehicle

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB18 million or 3% from approximately RMB574 million for FY2020 to approximately RMB556 million for FY2021. This was mainly due to a decrease in sales volume by 4% YoY to 399,000 tons for FY2021. 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.

Revenue *(Continued)*

Compound fertiliser

Revenue derived from the sales of compound fertilisers increased by approximately RMB596 million or 19% from approximately RMB3,158 million for FY2020 to approximately RMB3,754 million for FY2021, mainly due to the increase in average selling price by approximately 22% YoY. This was partially offset by a decrease in sales volume by 3% YoY to 1,569,000 tons for FY2021.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB1,245 million or 242% from approximately RMB514 million for FY2020 to approximately RMB1,759 million for FY2021. The increased sales of methanol were a result of the increase in average selling price and sales volume of the Group by 53% and 124% YoY, respectively. The increased sales of methanol mainly derived from the new capacity from the Third Production Base in Jiujiang.

Dimethyl ether (DME)

Revenue derived from the sales of DME increased by approximately RMB691 million or 92% from RMB748 million for FY2020 to approximately RMB1,439 million for FY2021. The increase was mainly due to the strong international energy prices, causing the average selling price and sales volume of DME to increase by 39% and 38% YoY, respectively.

Melamine

Revenue derived from the sales of melamine increased by approximately RMB585 million or 94% from RMB621 million for FY2020 to approximately RMB1,206 million for FY2021. The increase was mainly due to an increase in the average selling price of melamine by 105% YoY which was largely the result of the strong rebound in demand and prices in the domestic chemical products. The increase was partially offset by the reduction in the sales volume by 5% 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.

(I) BUSINESS REVIEW *(Continued)*

Revenue *(Continued)*

Furfury alcohol

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB311 million or 59% from approximately RMB524 million for FY2020 to approximately RMB835 million for FY2021. The increase in sales revenue was mainly due to the increase of average selling price of approximately 71% YoY. Since 2019, furfuryl alcohol has obvious advantages in the industrial chain by virtue of its own raw materials such as furfural and hydrogen resources. The Group has become a leading enterprise in the industry by continuously improving product quality and reducing production costs by using the only patented technology in the industry.

Medical intermediate

Revenue derived from the sales of medical intermediate increased by approximately RMB276 million or 119% from approximately RMB232 million for FY2020 to approximately RMB508 million for FY2021. This was due mainly to the continuous release of production capacity, which led to a YoY increase of approximately 159% in sales.

Profitability

Urea

Gross profit margin of urea of the Group increased by approximately 6.2 percentage points to approximately 33.5% for FY2021 from approximately 27.3% for FY2020. The increase was due mainly to a higher increase in the average selling price of 39% of urea, as compared to a 27% increase in the cost of goods sold.

Urea solution for vehicle

Gross profit margin of sales of urea solution for vehicle decreased by approximately 1.4 percentage points from approximately 32.8% for FY2020 to 31.4% for FY2021. The average selling price for urea solution for vehicle increased by approximately 1% in FY2021, while the cost of goods sold increased by 3%.

Compound fertiliser

Gross profit margin of compound fertilisers of the Group decreased to approximately 4 percentage point to approximately 13.1% in FY2021 from approximately 17.1% in FY2020. The decrease was mainly due to a higher increase in average cost of raw material, such as phosphate and potash fertilisers, by approximately 20% and 11%, respectively.

(I) BUSINESS REVIEW *(Continued)*

Profitability *(Continued)*

Methanol

Gross profit margin of methanol of the Group increased by 9.9 percentage points to approximately 12.4% for FY2021 from approximately 2.5% for FY2020. 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 53% YoY.

Dimethyl ether (DME)

Gross profit margin of DME of the Group increased by approximately 6.5 percentage points to approximately 12.4% for FY2021 from approximately 5.8% for FY2020 as a result of the increase in the average selling price of DME of 39% YoY.

Melamine

Gross profit margin of melamine of the Group increased by approximately 32.3 percentage points to approximately 64.7% for FY2021 from approximately 32.4% for FY2020 due mainly a surge in the average selling price of melamine of 105% YoY.

Furfuryl alcohol

Gross profit margin of furfuryl alcohol products of the Group increased by approximately 1.4 percentage point from approximately 13.9% for FY2020 to 15.2% for FY2021 due mainly to an increase of average selling price of furfuryl alcohol by 71% YoY.

Medical intermediate

Gross profit margin of medical intermediate of the Group increased by approximately 4.5 percentage point from approximately 17% for FY2020 to 21.5% for FY2021 due mainly to an approximately 20% decrease in the average cost of medical intermediate.

(I) BUSINESS REVIEW *(Continued)*

Other income and gains

Other income and gains decreased by approximately RMB30 million from approximately RMB199 million in FY2020 to approximately RMB169 million in FY2021. The decrease was mainly due to (1) a decrease in gain on disposal of property, plant and equipment of RMB27 million in FY2021; (2) a decrease in exchange gains of RMB15 million in FY2021; and (3) a decrease in subsidy income by RMB8 million in FY2021. The decrease was partially offset by a write-off of account payables that cannot be paid amounting RMB10 million which was recognized as other income in FY2021.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB142 million from RMB621 million in FY2020 to RMB763 million in FY2021. The increase was mainly due to: (1) the business volume increased as the Group expanded; in order to meet the needs of development, the Group employed more staff and implemented staff incentive policies, contributing to an expense of RMB67 million; (2) the transportation expenses increased by RMB48 million as sales increased; (3) the social insurance increased by RMB8 million; and (4) the information technology ("**IT**") service fees increased by RMB4 million, in order to expand sales channels, keep abreast of the market demand and improve the application of big data.

(I) BUSINESS REVIEW *(Continued)*

General and administrative expenses

General and administrative expenses increased by approximately RMB311 million from approximately RMB624 million in FY2020 to approximately RMB935 million in FY2021. The increase was mainly due to: (1) the increase of expenses in product R&D and technological upgrade, and the increase in training and remuneration benefits for the core technical personnel and management personnel, with a total increase of RMB149 million; (2) the increase of expenses in intelligent and digitalized parks as well as information technology consultation services, with a total increase of RMB21 million; (3) the increase of expenses by RMB21 million for further improving the safety and environmental protection level of the park; (4) the increase of expenses by RMB29 million for improving management skills of middle-to-senior management in each production base and increasing training expenses, as well as developing talent pools for new production base; and (5) the increase of expenses by RMB90 million for putting into operation of new projects and new bases such as the Jiujiang base, the green transformation project, and the hydrogen peroxide project.

Finance costs

Finance costs increased by approximately RMB182 million from approximately RMB401 million in FY2020 to approximately RMB583 million in FY2021 because the amounts of interest-bearing borrowings and loans increased as the Jiujiang base was put into operation.

Income tax expense

Income tax expense increased by approximately RMB299 million from approximately RMB107 million in FY2020 to approximately RMB406 million in FY2021.

Profit for the year

The profit for the year increased by RMB1,245 million or approximately 238% from RMB524 million in FY2020 to RMB1,769 million in FY2021.

(II) FINANCIAL REVIEW

Gearing

The Group monitors capital using a gearing ratio, which is net debt divided by the aggregate of total capital and net debt. The Group's policy is to keep the gearing ratio below 90%.

	2021 ***RMB'000***	2020 *RMB'000*
Trade payables	**774,423**	508,978
Bills payable	**850,474**	1,110,814
Contract liabilities	**1,079,227**	818,149
Accruals and other payables	**2,365,180**	1,936,405
Other liabilities	**117,867**	–
Due to related companies	**81,166**	12,353
Loans from non-controlling interests	**47,800**	24,870
Interest-bearing bank and other borrowings	**11,368,775**	9,347,719
Bonds payable	**494,704**	489,892
Lease liabilities	**23,258**	72,541
Less: Cash and cash equivalents	**(893,116)**	(682,041)
Pledged time deposits	**(753,545)**	(707,435)
Net debt	**15,556,213**	12,932,245
Equity attributable to owners of the parent	**5,693,550**	4,530,433
Less: Statutory reserve fund	**(510,920)**	(200,307)
Adjusted capital	**5,182,630**	4,330,126
Capital and net debt	**20,738,843**	17,262,371
Gearing ratio	**75.01%**	74.92%

(II) FINANCIAL REVIEW *(Continued)*

Net debt includes interest-bearing bank and other borrowings, bonds payable, trade and bills payables, contract liabilities, amounts due to related companies, accruals and other payables, and lease liabilities less cash and cash equivalents and pledged time deposits. Capital includes equity attributable to the owners of the parent less the above-mentioned restricted statutory reserve fund.

Loans

	Group	
	2021	2020
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**5,834,004**	3,810,227
In the second year	**2,080,704**	2,101,962
In the third to fifth years, inclusive	**2,241,039**	2,298,963
Beyond five years	**170,000**	255,000
	10,325,747	8,466,152
Loans from leasing company/ finance lease payables:		
Within one year or on demand	**568,209**	327,433
In the second year	**332,883**	385,306
In the third to fifth years, inclusive	**141,936**	168,828
	1,043,028	881,567
	11,368,775	9,347,719

(III) PROSPECTS

International oil prices have been rising alongside raw material commodity prices since 2022; in particular, the increase in the prices of raw materials, potash fertilizer and phosphate fertilizer, have provided strong support for fertilizer prices in the PRC. Moreover, the global food prices have risen due to the ongoing pandemic, leading to growing concerns on food security and agricultural development in the PRC. The increasing demand for fertilizers in agriculture will continue to drive the price of fertilizers. At the same time, various government domestic policies will support efficient operations of the market and prices of high quality agricultural products, thereby boosting the use of high-end fertilizers. As an advocate of high efficiency fertilizers, the Group foresees further sales growth in this area. For the chemical products market, PRC domestic environmental protection policies have become stricter under the influence of the "dual carbon" policy, and the chemical products market has accelerated consolidation. The Group will take advantage of its geographical reach, adhere to the environmental protection principles, vigorously develop and expand fine chemical industry chain, thereby achieving high-quality and comprehensive development of the Group.

With the introduction of the "dual-carbon" and energy consumption dual control policies, the advantages of resource-based leading enterprises have continuously been accentuated. The national policies have strongly supported leading enterprises to grow and expand, thereby further improving the industry concentration level, and promoting the high-quality and healthy development of the industry. As one of the leading enterprises in the industry, the Group will take advantage of its base-characteristic layout to strengthen the flexibility on products adjustment and optimize products portfolio, as well as further increase R&D of high-efficiency fertilizers and based on the unique characteristics of each of the Group's three production bases, actively expand and strengthen its chemical industry chain. At the same time, with the upgrading projects of the second and third plants successfully commissioned, the Group has fully adopted advanced production technology, accentuating its technological and low-cost advantages.

Going forward, the Group will leverage new government policies, seize the opportunity of high-quality development, and accelerate transformation and upgrading under the new development landscape, thereby further enhancing the Group's profitability and market competitiveness, and achieving stable and sustainable development in the long term.

(IV) PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB19 cents per share for the year ended 31 December 2021 (the "**Proposed Final Dividend**") (2020: RMB10 cents per share), subject to the shareholders' approval at the forthcoming annual general meeting of the Company. The Company will further announce details of the Proposed Final Dividend, the annual general meeting and the period of closure of the Company's register of members for determining the entitlement to the Proposed Final Dividend in due course.

(V) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

(i) Market Risk

The major market risks of the Group include changes in the average selling prices of key products, changes in the costs of raw materials (mainly coal) and fluctuations in interest and exchange rates.

(ii) Commodity Price Risk

The Group is also exposed to commodity price risk arising from fluctuations in product sale prices and costs of raw materials.

(iii) Interest Rate Risk

The major market interest rate risk that the Group is exposed to includes the Group's long-term debt obligations which are subject to floating interest rates.

(iv) Foreign Exchange Risk

The Group's revenue and costs are primarily denominated in RMB. Some costs may be denominated in Hong Kong dollars, United States dollars or Singapore dollars.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

(v) Inflation and Currency Risk

According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by approximately 0.9% in the year ended 31 December 2021 as compared with an increase of approximately 2.5% in 2020. Such inflation in the PRC did not have a significant effect on the Group's operating results.

(vi) Liquidity Risk

The Group monitors its risk exposure to shortage of funds. The Group regularly reviews the maturity of both its financial investments and financial assets (e.g., trade receivables and other financial assets) and projects cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 31 December 2021, approximately RMB6,402 million (31 December 2020: approximately RMB4,138 million), or approximately 56.31% (31 December 2020: 44.26%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings reflected in the financial statements.

(vii) Gearing Risk

The Group monitors its capital ratios in order to support its business and maximise shareholders value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020. The gearing ratio of the Group (calculated as net debt divided by the aggregate of total capital and net debt) increased from approximately 74.92% as at 31 December 2020 to approximately 75.01% as at 31 December 2021.

(V) SUPPLEMENTARY INFORMATION *(Continued)*

2. Contingent Liabilities

As at 31 December 2021, the Group had no material contingent liabilities (2020: Nil).

3. Material Litigation and Arbitration

As at 31 December 2021, the Group was not involved in any material litigation or arbitration (2020: Nil).

4. Scope of work of Ernst & Young

The figures in respect of preliminary announcement of Group results for the year ended 31 December 2021 have been agreed by the Group's auditor, Ernst & Young LLP, to the amount set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young LLP in this respect did not constitute an assurance engagement in accordance with International standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by International Accounting Standards Board and consequently no assurance has been expressed by Ernst & Young LLP on the preliminary announcement.

5. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The results for the year ended 31 December 2021 have been reviewed by the Audit Committee.

6. Compliance with the Corporate Governance Code

The Company devotes to best practice on corporate governance, and has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") during the year ended 31 December 2021.

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the directors of the Company. The Board confirms that, having made specific enquiries with all directors of the Company, all directors have complied with the required standards of the Model Code during the year ended 31 December 2021.

8. Purchase, Sales or Redemption of the Company's Securities

For the year ended 31 December 2021, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the securities of the Company.

9. Employees and Remuneration Policy

As at 31 December 2021, there were 8,698 (2020: 8,257) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

10. Disclosure on the Websites of the SEHK and the Company

This announcement is published on the website of the SEHK (http://www.hkexnews. hk) and on the website of the Company (http://www.chinaxlx.com.hk).

By Order of the Board
China XLX Fertiliser Ltd.
Yan Yunhua
Executive Director

Hong Kong, 25 March 2022

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

** for identification purpose only*