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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 THREE MONTHS ENDED 31 MARCH 2022

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 2022 ("**3M2022**").

The pandemic, supply chain stains and the war between Russia and Ukraine, converging disruptions have sent food prices and energy prices soaring in the first quarter of 2022. Prices of fertilisers and petrol chemical related products have also risen in tandem.

During the first quarter of 2022, with the successful commissioning of the Third Production Base in Jiangxi Jiujiang and the Fixed-bed Renovation and Upgrading Project of the Group's Second and Third Plant in Henan Xinxiang, the Group's production capacity reached a new milestone.

The unaudited consolidated revenue of the Group increased by approximately RMB2,234 million or 71% from approximately RMB3,152 million for the three months ended 31 March 2021 ("**3M2021**") to approximately RMB5,386 million for 3M2022. The unaudited consolidated net profit of the Group increased by approximately RMB243 million or 88% from approximately RMB277 million for 3M2021 to approximately RMB520 million for 3M2022. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB181 million or 90% from approximately RMB201 million for 3M2021 to approximately RMB382 million for 3M2022.

UREA

Revenue derived from the sales of urea increased by approximately RMB723 million or 84% from RMB860 million for 3M2021 to approximately RMB1,583 million for 3M2022. This was mainly due to the increase in the average selling price and sales volume of urea products of the Group by approximately 34% and 37% year-on-year ("**YoY**") respectively. Sales volume of urea for 3M2022 was approximately 646,000 tons.

Gross profit margin of urea of the Group decreased by 7 percentage points to approximately 29.9% for 3M2022 from approximately 37.1% for 3M2021 due mainly to the larger increase of 49% YoY in the average production cost of urea products of the Group, as compared to the increase in the average selling price. Among such cost increase, 80% was due to the significant rise in coal prices.

UREA SOLUTION FOR VEHICLE

Revenue derived from the sales of urea solution for vehicle increased by approximately RMB14 million or 14% from approximately RMB102 million for 3M2021 to approximately RMB116 million for 3M2022. This was mainly due to the increase in the average selling price and sales volume of urea solution for vehicle of the Group by approximately 9% and 4% YoY, respectively.

Gross profit margin of sales of urea solution for vehicle increased by approximately 3.5 percentage points from approximately 33.4% for 3M2021 to 36.9% for 3M2022.

COMPOUND FERTILISERS

Revenue derived from the sales of compound fertilisers increased by approximately RMB654 million or 79% from approximately RMB823 million for 3M2021 to approximately RMB1,477 million for 3M2022, due mainly to the increase in the average selling price and sales volume by approximately 44% and 24% YoY, respectively. The sales volume of compound fertilisers increased to 504,000 tons for 3M2022. During the epidemic period, the Group took advantage of its own dedicated railway lines to adjust the transportation mode from vehicles to trains, which increased sales.

Gross profit margin of compound fertilisers of the Group increased by approximately 3 percentage points to 18.5% in 3M2022 from approximately 15.4% in 3M2021. 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 RMB219 million or 82% from approximately RMB268 million for 3M2021 to approximately RMB487 million for 3M2022. This was the result of the increases in average selling price and sales volume of methanol of the Group by 29% and 40% YoY, respectively. The increase in the sales volume was due to the release of new production capacity in Jiujiang base and the expansion of the business channels by launching the methanol trading.

Gross profit margin of methanol of the Group decreased by 17 percentage point to approximately 3.7% for 3M2022 from approximately 20.6% for 3M2021. This was mainly due to the significant increase in the price of coal, which led to the larger increase of 56% YoY in the average production cost of methanol. The Group will further enhance its flexibility and resilience and will create greater economic benefits through the flexible production model.

DIMETHYL ETHER (DME)

Revenue derived from the sales of DME increased by approximately RMB173 million or 67% from RMB258 million for 3M2021 to approximately RMB431 million for 3M2022. The increase was mainly due to a YoY increase in the average selling price and selling volume of DME by 20% and 39%, respectively.

The gross profit margin of DME of the Group decreased by approximately 14 percentage point to approximately 9.4% for 3M2022 from approximately 23.7% for 3M2021 as a result of the 43% YoY increase in the average production cost of DME.

MELAMINE

Revenue derived from the sales of melamine increased by approximately RMB34 million or 14% from RMB239 million for 3M2021 to approximately RMB273 million for 3M2022. The increase was mainly due to a 63% YoY increase in the average selling price of melamine. The increase was partially offset by a 30% decrease in the selling volume. The decline in the selling volumes was mainly due to the weak domestic downstream demand caused by the impact of the outbreak of the pandemic. In addition, the war between Russia and Ukraine had an impact on exports.

Gross profit margin of melamine of the Group increased by approximately 10.4 percentage point to approximately 63.5% for 3M2022 from approximately 53.1% for 3M2021. The increase was mainly due to the increase in average selling price of melamine. Relying on its own industrial chain and advanced technical advantages, the Group uses high-quality raw materials to improve the product quality, thus increasing the price and enhancing the market competitiveness.

FURFURYL ALCOHOL

Revenue derived from the sales of furfuryl alcohol products increased by approximately RMB95 million or 68% from approximately RMB139 million for 3M2021 to approximately RMB234 million for 3M2022. This was mainly due to a 89% YoY increase in the average selling price of furfuryl alcohol products. The increase was partially offset by a 11% decrease in the selling volume. The decrease in the selling volume was mainly due to the insufficient operation rates in the downstream industries caused by the impact of the pandemic and the Winter Olympics.

Gross profit margin of furfuryl alcohol products was 10.1% for 3M2022, remaining stable as compared with the corresponding period of last year.

PROSPECTS

Since 2022, affected by the conflict between Russia and Ukraine and the tight supply of international fertilizers, the prices of global basic energy and food have been growing, which resulted in a strong demand for chemical fertilizers. Coupled with the rise in the price of raw materials, global fertilizer prices have been rising. At the same time, with growing concerns on food security in the PRC, domestic food prices will remain strong in the medium and long term, which will benefit the agricultural use of fertilizers and provide further support for fertilizer prices. In addition, the stricter PRC domestic environmental protection policies propel backward capacities out of the market, leading to a tight balance of supply and demand. Thus, the price of fertilizers will remain high regardless of the market conditions. With the strengths of different bases and the advantage of its geographical reach, the Group will continue to optimize the product structure while strengthening high-efficiency fertilizers, improve the research and development and promotion of new fertilizer products, and further highlight the competitive advantages of differentiated products. Meanwhile, the Group will leverage the flexible production mode and the extension of industrial chain with clear advantages of low cost and high quality products to increase product added value and enhance profitability.

The Group's DMF Project with an annual output of 100,000 tons at Jiangxi Base is expected to enter the trial production stage at the end of June, and the first phase of Gansu Jinchang Compound Fertilizer Project is also expected to be completed by the end of this year. As a next step, while levering the advantages of the existing bases, the Group will further strengthen research and development and technological innovation, so as to facilitate the high-quality and continued development of the Group. We will also continue to explore new development opportunities, integrate high-quality resources to maximize resource efficiency, and enhance industry presence.

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

24 June 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; 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*