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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 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 nine months ended 30 September 2022 (“**9M2022**”).

Affected by the continuous impact of geopolitics, environmental protection policies and the pandemic during the 9M2022, the prices of food have been rising across the globe, which resulted in the prices of fertilisers and coal chemical-related products being driven up.

With the successively commissioning of the renovation and upgrading projects of the Group’s second and third plant in Xinxiang Base and the reconstruction and extension projects of the Tinanxin Coal Mine in Xinjiang Base, high-quality production capacity has been further released, transformation and upgrading of industrial chain has accelerated, thus promoting the diversified development of coal chemical related products and further enhancing the Group’s market competitiveness.

The unaudited consolidated revenue of the Group increased by RMB5,754 million or approximately 49% from approximately RMB11,762 million for the nine months ended 30 September 2021 (“**9M2021**”) to approximately RMB17,516 million for 9M2022. The unaudited consolidated net profit of the Group increased by approximately RMB190 million or 14% from approximately RMB1,394 million for 9M2021 to approximately RMB1,584 million for 9M2022. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB121 million or 12% from approximately RMB1,020 million for 9M2021 to approximately RMB1,141 million for 9M2022.

## **UREA**

Revenue derived from the sales of urea increased by approximately RMB1,715 million or 50% from 3,406 million for 9M2021 to approximately RMB5,121 million for 9M2022. This was mainly due to the increase in the average selling price and sales volume of urea products of the Group by approximately 21% and 25% year-on-year (“YoY”), respectively. The successful commissioning of the green manufacturing project at the Xinxiang Base of the Group and the release of high-quality flexible production capacity resulted in an increase of urea sales volume to approximately 2,021,000 tons. Among which, the sales volume of urea granules for vehicles was approximately 413,000 tons, representing a 5% YoY increase.

Gross profit margin of urea of the Group decreased by 4 percentage points to approximately 31.3% for 9M2022 from approximately 35.3% for 9M2021 due to the larger increase of 28% YoY in the average production cost of urea products affected by continuous high price of raw coal.

## **UREA SOLUTION FOR VEHICLE**

Revenue derived from the sales of urea solution for vehicle increased by approximately RMB57 million or 16% from approximately RMB360 million for 9M2021 to approximately RMB417 million for 9M2022. 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 8% and 7% YoY, respectively.

Gross profit margin of sales of urea solution for vehicle decreased by approximately 5.7 percentage points from approximately 28% for 9M2021 to 22.3% for 9M2022.

## **COMPOUND FERTILISERS**

Revenue derived from the sales of compound fertilisers increased by approximately RMB1,967 million or 70% from approximately RMB2,823 million for 9M2021 to approximately RMB4,790 million for 9M2022, due mainly to the increase in the average selling price and sales volume by approximately 38% and 23% YoY, respectively. Owing to continued release of compound fertilizer production capacity, accelerated expansion of marketing network and increased channel coverage, the sales volume of compound fertilisers increased to 1,519,000 tons.

Gross profit margin of compound fertilisers of the Group increased by approximately 0.5 percentage points to 14.8% in 9M2022 from approximately 14.3% in 9M2021. 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 RMB512 million or 42% from approximately RMB1,224 million for 9M2021 to approximately RMB1,736 million for 9M2022. This was mainly due to the increase in average selling price and sales volume of methanol of the Group by 12% and 26% YoY, respectively. In the past three quarters, the market of methanol has been declining. On the premise of ensuring the optimal marginal benefit of production, the Group has downsized methanol production to the maximum extent, and converted the surplus production capacity into methanol extended products with higher profit margin through flexible adjustment, thereby reducing the gross loss arising from self-produced methanol. At the same time, the profitable methanol business has been actively carried out, so as to promote the methanol sales volume.

Gross profit margin of methanol of the Group decreased by 16 percentage points to approximately negative 1% for 9M2022 from approximately 15% for 9M2021. This was mainly due mainly to the larger increase of 34% YoY in the average production cost of methanol, as compared to the increase in the average selling price.

## **DIMETHYL ETHER (DME)**

Revenue derived from the sales of DME increased by approximately RMB71 million or 7% from RMB985 million for 9M2021 to approximately RMB1,056 million for 9M2022. The increase was mainly due to a YoY increase in the average selling price by 14%.

The gross profit margin of DME of the Group decreased by approximately 14 percentage points to approximately 3% for 9M2022 from approximately 17% for 9M2021 as a result of the 35% YoY increase in the average production cost of DME.

## **MELAMINE**

Revenue derived from the sales of melamine decreased by approximately RMB2 million or 0.2% from RMB807 million for 9M2021 to approximately RMB805 million for 9M2022. Due to the continued impact of the Russia-Ukraine conflict and the escalation of EU sanctions against Russia, exports to Russia were restricted, resulting in a decrease of 3% YoY in the sales volume of Melamine.

Gross profit margin of melamine of the Group decreased by approximately 7 percentage points to approximately 53% for 9M2022 from approximately 60% for 9M2021. This was mainly to the larger increase of 23% YoY in the average production cost of melamine.

## **FURFURYL ALCOHOL**

Revenue derived from the sales of furfuryl alcohol products decreased by approximately RMB31 million or 5.6% from approximately RMB551 million for 9M2021 to approximately RMB520 million for 9M2022. The sales volume of furfuryl alcohol products decreased 7% YoY mainly due to the decline in the operating rate of the downstream foundry industry and weak demand as affected by the pandemic.

Gross profit margin of furfuryl alcohol products decreased by 11 percentage points from approximately 15% for 9M2021 to 4% for 9M2022, mainly as a result of the increase in the average cost of sales of furfuryl alcohol by approximately 15% YoY due to the increase in the cost of major raw material (furfural).

## **MEDICAL INTERMEDIATE**

Revenue derived from the sales of medical intermediate products decreased by approximately RMB52 million or 14% from approximately RMB373 million for 9M2021 to approximately RMB321 million for 9M2022. This was due mainly to 10% and 4% decreases in the average selling price and sales volume of medical intermediate respectively as a result of the decline of downstream industries affected by pandemic, weakened domestic and foreign demands.

Gross profit margin of medical intermediate products decreased by approximately 6.1 percentage points from approximately 20.7% for 9M2021 to 14.6% for 9M2022.

## **PROSPECTS**

With the continuous escalation of international geopolitical tensions, the gradual release of domestic demand for coal storage in winter, and the increasingly stringent national environmental protection and gas restriction policies promulgated by the PRC government, the tight energy supply and demand pattern in PRC and abroad is expected to continue, and coal prices will continue to remain high. Supported by the cost of raw materials, the prices of fertiliser will show a steady upward trend. Meanwhile, in the 20th CPC National Congress, the issue of food security was emphasized again, and cultivated area was strictly guaranteed, which is expected to increase the demand for efficient and environmentally friendly fertilisers and thus promoting the rapid transformation and upgrading of China's fertiliser industry.

The Group has always adhered to technological innovation and product upgrades, continuously strengthened R&D and promotion of high-efficiency fertilisers, which further highlighted our core competitive advantage of product differentiation. Meanwhile, with the successive commissioning of various base projects, the Group will leverage advanced production technology to consolidate our main business of chemical fertilisers, in order to continue to release high-quality production capacity, as well as accelerating the enhancement of market competitiveness of the Group, thus further consolidating our position in the industry. Due to methanol related industry operating below capacity, caused methanol price persistently depressed. In order reduce negative impacts from the industry, the Group minimised the output of methanol production and apply production adjustment, fully utilised the Group's flexible production capacity and furthered methanol product chain extension. Hence, this increased the demand for our self produced methanol and improved profitability.

In the second half of 2022, due to resurgence of COVID cases, compounded with Xinjiang production base redevelopment project, caused the Group's third quarter's net profit to decline. Entering into fourth quarter, with persistent pandemic, transportation was disrupted, hence led to the phrased increase in inventory, negatively impacting the Group's profits. In terms of projects, the Gansu Jinchang compound fertilizer project in the Xinjiang Base is progressing smoothly. It is currently completed and has been put into operation. In addition, the green manufacturing urea project with an annual production capacity of 700,000 tons in the Xinxiang Base is also progressing as planned. It will be completed and put into operation in the first half of the next year, which will promote the high-quality production development of the Group.

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

18 November 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*