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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023 ("**1H2023**" or the "**Period**") together with the comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 (Unaudited) *RMB'000*	2022 (Unaudited) *RMB'000* (Restated)
REVENUE	4	**12,059,121**	12,213,886
Cost of sales		**(9,948,422)**	(9,352,259)
Gross profit		**2,110,699**	2,861,627
Other income, net	4	**90,114**	60,965
Selling and distribution expenses		**(310,645)**	(329,130)
General and administrative expenses		**(640,394)**	(652,350)
Finance costs	5	**(324,016)**	(334,817)
PROFIT BEFORE TAX	6	**925,758**	1,606,295
Income tax expense	7	**(148,199)**	(301,836)
PROFIT FOR THE PERIOD		**777,559**	1,304,459
OTHER COMPREHENSIVE INCOME			
Financial assets at fair value through other comprehensive income			
Change in fair value		**–**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**777,559**	1,304,459
Profit attributable to:			
Owners of the parent		**546,194**	960,047
Non-controlling interests		**231,365**	344,412
		777,559	1,304,459
Total comprehensive income attributable to:			
Owners of the parent		**546,194**	960,047
Non-controlling interests		**231,365**	344,412
		777,559	1,304,459
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents per share)*	9	**44.8**	78.2

Details of the dividend paid for the period are disclosed in note 8 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**20,013,759**	19,457,875
Goodwill		**63,022**	63,022
Coal mining rights	10	**232,534**	233,434
Equity investment at fair value through profit or loss	12	**6,708**	6,708
Deferred tax assets		**89,795**	84,737
Prepayments for purchases of plant and equipment	11	**286,521**	117,923
Intangible assets		**186,117**	59,219
Pledged time deposits		**23,257**	23,833
Right-of-use-assets		**1,368,310**	1,386,660
Amounts due from a related company		**4,122**	3,522
Other assets		**58,355**	92,038
Investments in associates		**113,224**	107,318
Total non-current assets		**22,445,724**	21,636,289
CURRENT ASSETS			
Equity investments at fair value through profit or loss	12	**9,308**	11,817
Amounts due from related companies		**1,453**	4,087
Inventories	13	**1,302,003**	1,699,459
Derivative financial instruments		**1,045**	9,827
Trade and bills receivables	14	**1,109,743**	1,019,675
Prepayments	11	**472,321**	1,230,583
Deposits and other receivables		**139,904**	194,128
Pledged time deposits		**828,068**	571,663
Contract assets		**6,084**	6,084
Other assets		**11,999**	13,799
Cash and cash equivalents	15	**1,178,066**	1,469,765
Total current assets		**5,059,994**	6,230,887
Total assets		**27,505,718**	27,867,176

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000* (Restated)
CURRENT LIABILITIES			
Amounts due to related companies		**19,269**	71,632
Trade payables	*16*	**803,057**	645,698
Bills payable		**860,742**	496,618
Contract liabilities		**730,231**	1,514,349
Accruals and other payables		**1,924,566**	1,936,448
Deferred grants		**10,426**	10,426
Interest-bearing bank and other borrowings	*17*	**5,434,266**	5,556,085
Lease liabilities		**3,738**	3,738
Other liabilities		**6,280**	6,280
Bonds payables		**–**	299,481
Total current liabilities		**9,792,575**	10,540,755
NET CURRENT LIABILITIES		**(4,732,581)**	(4,309,868)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,713,143**	17,326,421
NON-CURRENT LIABILITIES			
Loan from a non-controlling interest		**47,800**	48,800
Interest-bearing bank and other borrowings	*17*	**6,886,867**	6,779,442
Deferred grants		**121,424**	72,068
Deferred tax liabilities		**118,062**	118,062
Provision for rehabilitation		**25,748**	25,748
Accruals and other payables		**512,763**	589,384
Lease liabilities		**14,585**	19,513
Other liabilities		**108,349**	105,576
Total non-current liabilities		**7,835,598**	7,758,593
Total liabilities		**17,628,173**	18,299,348
NET ASSETS		**9,877,545**	9,567,828
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,493,096**	1,493,096
Debt: Treasury stock		**35,659**	–
Statutory reserve fund		**665,869**	665,869
Special reserve		**4,127**	4,127
Other reserve		**2,014,615**	2,013,106
Retained profits		**2,935,450**	2,710,005
		7,077,498	6,886,203
Non-controlling interests		**2,800,047**	2,681,625
Total equity		**9,877,545**	9,567,828

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Group

	Share capital *RMB'000*	**Treasury stock** *RMB'000*	**Statutory reserve fund** *RMB'000*	**Other reserve** *RMB'000*	**Special reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
(Unaudited)									
As at 1 January 2023	**1,493,096**	**–**	**665,869**	**2,013,106**	**4,127**	**2,710,005**	**6,886,203**	**2,681,625**	**9,567,828**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**546,194**	**546,194**	**231,365**	**777,559**
Capital contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,110**	**26,110**
Payment of final 2022 dividend	**–**	**–**	**–**	**–**	**–**	**(320,749)**	**(320,749)**	**–**	**(320,749)**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(139,053)**	**(139,053)**
Acquisition of non-controlling interests of subsidiaries	**–**	**–**	**–**	**1,509**	**–**	**–**	**1,509**	**–**	**1,509**
Repurchase of Shares	**–**	**(35,659)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
As at 30 June 2023	**1,493,096**	**(35,659)**	**665,869**	**2,014,615**	**4,127**	**2,935,450**	**7,077,498**	**2,800,047**	**9,877,545**

For the six months ended 30 June 2022

	Share capital *RMB'000*	Statutory reserve fund *RMB'000*	Other reserve *RMB'000*	Special reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
(Unaudited)								
As at 1 January 2022	1,194,686	510,920	2,202,942	4,127	1,780,875	5,693,550	2,267,832	7,961,382
Profit for the period	–	–	–	–	959,576	959,576	344,883	1,304,459
Capital contribution from non-controlling shareholders of subsidiaries	–	–	263,244	–	–	263,244	–	263,244
Payment of final 2021 dividend	–	–	–	–	–	–	(49,284)	(49,284)
Placing of new shares	56,500	–	–	–	–	56,500	–	56,500
Coal mine maintenance fund	–	–	–	56	–	56	–	56
As at 30 June 2022	1,251,186	510,920	2,466,186	4,183	2,740,451	6,972,926	2,563,431	9,536,357

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2023

1. CORPORATE 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 principal place of business of the Group is located at Xinxiang Economic Development Zone (Xiaoji Town), Henan Province, 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.

2.1 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 for equity investments at fair value through profit or loss, which have been measured at fair value. 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.

2.2 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 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Description	**Effective for annual periods beginning on or after**
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 17: *Insurance Contracts*	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 of the Company 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.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group organises its into business units based on its products, and has eight reportable operating segments as follows:

1. Manufacturing and sale of urea
2. Manufacturing and sale of urea solution for vehicle
3. Manufacturing and sale of compound fertiliser
4. Manufacturing and sale of methanol
5. Manufacturing and sale of melamine
6. Manufacturing and sale of medical intermediate
7. Manufacturing and sale of Liquid Ammonia
8. Manufacturing and sale of DMF

Allocation basis

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, other expenses, selling and distribution expenses, general and administrative expenses, finance costs and income tax expense.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

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

For the six months ended 30 June 2023

REVENUE	Urea (unaudited) *RMB'000*	Urea solution for vehicle (unaudited) *RMB'000*	Compound fertiliser (unaudited) *RMB'000*	Methanol (unaudited) *RMB'000*	Melamine (unaudited) *RMB'000*	Medical Intermediate (unaudited) *RMB'000*	Liquid Ammonia (unaudited) *RMB'000*	DMF (unaudited) *RMB'000*	Others (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Sales to external customers	3,517,515	224,653	3,207,926	976,504	412,225	299,342	1,116,838	522,595	1,781,523	12,059,121
Total revenue	3,517,515	224,653	3,207,926	976,504	412,225	299,342	1,116,838	522,595	1,781,523	12,059,121
Segment profit	1,022,566	53,702	374,616	(16,215)	147,414	46,434	226,877	55,696	199,609	2,110,699
Interest Income										12,482
Unallocated expenses										(873,407)
Finance costs										(324,016)
Profit before tax										925,758
Income tax expense										(148,199)
Profit for the period										777,559

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

For the six months ended 30 June 2022 (Restated)

REVENUE	Urea (unaudited) *RMB'000*	Urea solution for vehicle (unaudited) *RMB'000*	Compound fertiliser (unaudited) *RMB'000*	Methanol (unaudited) *RMB'000*	Dimethyl ether (unaudited) *RMB'000*	Melamine (unaudited) *RMB'000*	Furfuryl alcohol (unaudited) *RMB'000*	Medical Intermediate (unaudited) *RMB'000*	Others* (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Sales to external customers	3,437,907	290,094	3,763,393	1,160,672	773,639	586,855	401,258	222,297	1,577,771	12,213,886
Total revenue	3,437,907	290,094	3,763,393	1,160,672	773,639	586,855	401,258	222,297	1,577,771	12,213,806
Segment profit	1,204,411	69,334	602,729	13,581	48,379	339,018	27,717	38,156	518,302	2,861,627
Interest Income										8,093
Unallocated expenses										(928,608)
Finance costs										(334,817)
Profit before tax										1,606,295
Income tax expense										(301,836)
Profit for the period										1,304,459

* Among other products, the sales revenue of liquid ammonia products was approximately RMB931 million, and the segment profit was approximately RMB334 million.

4. REVENUE AND OTHER INCOME/(EXPENSES), NET

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 other expenses is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**12,059,121**	12,213,886

4. REVENUE AND OTHER INCOME/(EXPENSES), NET *(Continued)*

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**12,482**	8,093
Net profit from sales of by-products	**45,525**	18,533
Service fee income	**6,204**	4,931
Penalty income	**2,428**	3,949
Subsidy income	**18,434**	24,247
Investment income	**1,640**	4,656
Amortisation of deferred grants	**3,465**	3,097
Profit on disposal of spare parts and others	**–**	541
Others	**17,744**	19,995
	107,922	88,042
Other expenses		
Loss on disposal of items of property, plant and equipment	**(1,328)**	(23,134)
Loss on fair value change of equity investment	**(2,509)**	2,290
Donation	**(784)**	(857)
Loss on fair value change of derivative financial instruments	**(164)**	–
Impairment losses on financial assets	**–**	2,626
Others	**(13,023)**	(8,002)
	(17,808)	(27,077)
Other income, net	**90,114**	60,965

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans, wholly repayable within five years	**324,016**	334,817

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories sold	**9,948,422**	9,352,259
Depreciation of property, plant and equipment	**732,712**	676,722
Depreciation of right-of-use assets	**4,347**	3,630
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	**909,145**	912,746
Contributions to defined contribution plans	**111,936**	89,163
Benefits in kind	**55,895**	41,628
	1,076,976	1,043,537

7. INCOME TAX EXPENSE

The Company is incorporated in Singapore and is subject to an income tax rate of 17% for the six months ended 30 June 2023 (six months ended 30 June 2022: 17%).

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% (2022: 25%). For the six months ended 30 June 2023, thirteen subsidiaries were given the New/High Technology Enterprise Award and this award brought these subsidiaries a tax concession of a lower income tax rate of 15%.

The major components of income tax expense for the six months ended 30 June 2023 and 2022 are:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**148,199**	301,836
Total tax charge for the period	**148,199**	301,836

8. DIVIDEND

Final dividend of RMB307,030,000 for the year ended 31 December 2022 (year ended 31 December 2021: RMB233,342,000) was proposed and declared during the six months ended 30 June 2023.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share is calculated by dividing the Group's profit for the period attributable to ordinary equity holders of the Company by the weighted average number (after deducting treasury stock) of 1,218,763,000 (six months ended 30 June 2022: 1,228,121,000) ordinary shares (inclusive of mandatorily convertible instruments issued) outstanding during the period.

10. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND COAL MINING RIGHTS

During the Period, payments for purchases of items of property, plant and equipment, land use rights and coal mining rights and proceeds from disposal of items of property, plant and equipment of the Group amounted to approximately RMB1,737,713,000 and RMB22,581,000 (six months ended 30 June 2022: RMB1,596,213,000 and RMB40,491,000), respectively.

11. PREPAYMENTS

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of property, plant and equipment	**286,521**	117,923
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**472,321**	1,194,718
Other prepayments	**–**	35,865
	472,321	1,230,583

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT		
Unquoted equity investment at fair value:		
PRC	**6,708**	6,708
CURRENT		
Listed equity investments, at fair value:		
Singapore	**2,933**	2,844
Hong Kong	**6,375**	8,973
	9,308	11,817

The above investment in equity securities have no fixed maturity or coupon rate.

13. INVENTORIES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Raw materials	**353,716**	583,978
Parts and spares	**234,536**	265,644
Work-in-progress	**36,187**	29,558
Finished goods	**692,761**	829,908
Allowance of inventory obsolescence	**(15,197)**	(9,629)
	1,302,003	1,699,459

14. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Trade receivables	**566,123**	470,624
Bills receivable	**543,620**	549,051
	1,109,743	1,019,675

Trade receivables are non-interest-bearing and are normally settled on terms of 30 to 180 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.

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.

14. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice due date and net of provisions, is as follows:

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 1 month	**216,995**	276,885
1 to 3 months	**277,102**	68,152
3 to 6 months	**33,186**	56,754
6 to 12 months	**21,082**	68,833
Over 12 months	**17,758**	–
	566,123	470,624

15. TRADE PAYABLES

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

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
Within 1 month	**271,703**	469,717
1 to 3 months	**378,395**	86,675
3 to 6 months	**57,158**	37,820
6 to 12 months	**45,913**	25,666
Over 12 months	**49,888**	25,820
	803,057	645,698

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

16. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Fixed deposits	**828,068**	571,663
Less: Pledged time deposits	**(828,068)**	(571,663)
Cash and bank balances	**1,178,066**	1,469,765
Cash and cash equivalents	**1,178,066**	1,469,765

As at 30 June 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB1,178,066,000 (31 December 2022: RMB1,469,765,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with credit-worthy banks with no recent history of default.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2023			31 December 2022		
	Contractual Interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual Interest rate	Maturity	*RMB'000* (Audited)
Group						
Current						
Bank loans						
– secured	**4.1%**	**2024**	**260,000**	3.85%-4.1%	2023	833,419
– unsecured	**3.2%-6.24%**	**2024**	**5,071,995**	2.7%-6.24%	2023	4,132,624
Loan from leasing company/ finance lease payables	**4.75%**	**2024**	**102,271**	4.3%	2023	590,042
			5,434,266			5,556,085
Non-current						
Bank loans						
– secured	**4.65%-6%**	**2025 to 2029**	**937,393**	5.25%-6.00%	2024 to 2027	892,205
– unsecured	**3.9%-6.2%**	**2025 to 2028**	**5,330,036**	3.65%-6.2%	2024 to 2027	5,422,550
Loan from leasing company/ finance lease payables	**4.75%**	**2025 to 2026**	**619,438**	4.3%	2024 to 2025	464,687
			6,886,867			6,779,442
			12,321,133			12,335,527

17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2023 (Unaudited) ***RMB'000***	31 December 2022 (Audited) *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**5,331,995**	4,966,043
In the second year	**3,371,859**	3,634,656
In the third to fifth years, inclusive	**2,888,264**	2,680,099
Beyond five years	**7,306**	–
	11,599,424	11,280,798
Finance lease payables:		
Within one year or on demand	**102,271**	590,042
In the second year	**457,632**	362,120
In the third to fifth years, inclusive	**161,806**	102,567
	721,709	1,054,729
	12,321,133	12,335,527

Note:

- The secured bank loans amounting to RMB1,197,393,000 are secured by certain of the Group's items of property, plant and equipment.

The fair values of the Group's interest-bearing bank and other borrowings approximate to their carrying values.

18. MAJOR NON-CASH TRANSACTION – INTEREST CAPITALISATION

During the period under review, the Group capitalised interest expenses of RMB13,322,000 (six months ended 30 June 2022: RMB3,733) to property, plant and equipment.

19. CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

20. COMMITMENTS

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Unaudited) *RMB'000*
Capital commitments		
Contracted, but not provided for:		
Buildings	**53,554**	108,457
Plant and machinery	**1,918,856**	243,191
Coal mines	**82,878**	–
	2,055,288	351,648
Other commitments		
Purchases of raw materials	**57,193**	350,014

21. RELATED PARTY TRANSACTIONS

1. In addition to the transactions detailed elsewhere in this interim financial information, the Group had the following transactions with related parties during the Period:

	Six months ended 30 June	
	2023 (Unaudited) *RMB'000*	2022 (Unaudited) *RMB'000*
Operating lease and other sales income from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**–**	105
Purchases of equipment and service fee expenses from:		
– Xinxiang Xinlianxin Chemical Equipment Co., Ltd.#	**1,923**	–
– Xinxiang Shenzhou Anti-corrosion Installation Co., Ltd.#	**4,649**	14,091

These companies are subsidiaries of Henan Xinlianxin Chemicals Group Co., Ltd. ("**Henan Chemicals**"), which has certain common shareholders with the Company. The Company's executive directors and executive officers hold certain equity interests in Henan Chemicals.

21. RELATED PARTY TRANSACTIONS *(Continued)*

2. Compensation of directors and key management personnel of the Group:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Directors' fees	**825**	525
Salaries and allowances	**2,436**	2,878
Performance-related bonuses	**22,650**	22,150
Contributions to defined contribution plans	**160**	252
Total compensation paid to key management personnel	**26,071**	25,805

22. SEASONALITY OF OPERATIONS

Due to the seasonal weather conditions, the sales of compound fertiliser are used to experience seasonal fluctuations, with peak demand in the second and third quarter of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

In 1H2023, the supply and demand situation trended soft, with coal prices came under pressure and fell, leading to a lack of support for fertiliser prices, which subsequently declined. The chemical product market remained in a downturn, and the recovery of downstream demand fell short of expectations, resulting in continued vulnerability in chemical product prices, which in turn causing a decline of the Group's results.

The unaudited consolidated revenue of the Group decreased by approximately RMB155 million or 1% from approximately RMB12,214 million for the first half year ended 30 June 2022 ("**1H2022**") to approximately RMB12,059 million for 1H2023. The unaudited consolidated net profit of the Group decreased by approximately RMB526 million or 40% from approximately RMB1,304 million for 1H2022 to approximately RMB778 million for 1H2023. The unaudited total comprehensive income attributable to the owners of the parent decreased by approximately RMB414 million or 43% from approximately RMB960 million for 1H2022 to approximately RMB546 million for 1H2023.

Finished urea products

Revenue derived from the sales of urea increased by approximately RMB80 million or 2% from RMB3,438 million for 1H2022 to approximately RMB3,518 million for 1H2023. This was mainly due to a 13% year-on-year (YoY) increase in sales volume and a 10% decrease in the average selling price of urea products. Compared with the same period last year, the Jiujiang base completed overhaul and resumed production, resulting in a 4% YoY increase in output, which led to an increase in sales volume.

Gross profit margin of sales of urea decreased by approximately 6 percentage points from approximately 35% for 1H2022 to 29% for 1H2023. It was mainly due to the fact that the decline in the average selling price of urea was greater than the decline in the average cost.

(I) BUSINESS REVIEW *(Continued)*

Urea Solution for Vehicle

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB65 million or 22% from approximately RMB290 million for 1H2022 to approximately RMB225 million for 1H2023. This was mainly due to the decrease in the average selling price and sales volume of urea solution for vehicle of the Group by approximately 5% and 19% YoY, respectively. The price of urea solution for vehicle dropped slightly due to the weakening of the price of raw materials of urea. In order to increase the profitability of the product, the Group adjusted its marketing strategy, actively optimized order structure and voluntarily abandoned some low-margin orders. Although it has caused a decline in sales, the gross profit margin managed to remain within a stable range. In 1H2023, the gross profit margin of urea solution for vehicle was 24%, basically maintained at the same level YoY.

Compound Fertilisers

Revenue derived from the sales of compound fertilisers decreased by approximately RMB555 million or 15% from approximately RMB3,763 million for 1H2022 to approximately RMB3,208 million for 1H2023, mainly due to the decrease in sales volume and average selling price of compound fertilisers by approximately 5% and 10% YoY, respectively. The sales volume of compound fertilisers decreased to 1,131,000 tons for 1H2023. The Group continued to optimise its marketing model, intensified its transformation and upgraded towards digitalization and intelligence, built an intelligent fertiliser distribution center and a marketing service center, and realised the terminal intelligent fertiliser distribution center by purchasing differentiated fertilisers from the Group. Therefore, this marketing model partially replaced the sales of compound fertiliser products.

Gross profit margin of compound fertilisers of the Group decreased by approximately 4 percentage points to approximately 12% in 1H2023 from approximately 16% in 1H2022. This decrease was mainly due to the decrease in average selling price of compound fertilisers.

Methanol

Revenue derived from the sales of methanol decreased by approximately RMB184 million or 16% from approximately RMB1,161 million for 1H2022 to approximately RMB977 million for 1H2023. The decreased sales of methanol were a result of the decrease in average selling price and sales volume of methanol of the Group by 9% and 8% YoY, respectively. As a basic chemical product, the methanol market continues to slump, and the drop in coal prices combined with weakening supply and demand has affected product prices. In order to resist market risks and alleviate the adverse impact of weak demand, the Group has minimized the production of self-produced methanol, which decreased by 25% YoY, when ensuring the maximization of marginal benefits.

(I) BUSINESS REVIEW *(Continued)*

***Methanol** (Continued)*

Despite the fact that the gross profit margin of methanol decreased by approximately 2.9 percentage points YoY to -1.7% in 1H2023, the marginal profit contribution of methanol reached 13% by improving the self-conversion and internal consumption capacity of methanol as well as adjusting product structure through flexible adjustment and product chain extension.

Melamine

Revenue derived from the sales of melamine decreased by approximately RMB175 million or 30% from RMB587 million for 1H2022 to approximately RMB412 million for 1H2023. The decrease was mainly due to a 34% YoY decrease in the average selling price of melamine, which was partially offset by a 6% increase in sales volume. After the epidemic, the domestic economic recovery was slow, melamine demand was sluggish and the cost support was insufficient, which led to the continuous decline of domestic melamine prices. In addition, under the dual influence of geopolitics and economic inflation, the export demand shrank significantly, dragging down the international price of melamine.

Gross profit margin of melamine products decreased by approximately 22 percentage points from approximately 58% for 1H2022 to 36% for 1H2023. This was due to the significant drop in average selling price.

Medical Intermediate

Revenue derived from the sales of medical intermediate products increased by approximately RMB77 million or 35% from approximately RMB222 million for 1H2022 to approximately RMB299 million for 1H2023. The increase was mainly due to an increase in the average selling price and selling volume of medical intermediate products by 8% and 25% YoY, respectively. The Group continued to optimize its product structure, strengthened its flexible adjustment capabilities, and gradually released new production capacity, which led to an increase in sales. At the same time, as the market demand gradually shifts from anti-epidemic drugs to anti-AIDS, anti-viral and other drugs, the rebound of downstream demand supports the recovery of product prices.

Gross profit margin of medical intermediate products decreased by approximately 1 percentage point from approximately 17% for 1H2022 to 16% for 1H2023. It was because the increase in the average cost of raw materials, such as adenosine, the main raw material of medical intermediate products, was higher than the selling price. The average cost increased by 10% YoY.

(I) BUSINESS REVIEW *(Continued)*

Liquid Ammonia

The sales revenue of liquid ammonia increased by approximately RMB186 million or 20% from RMB931 million in 1H2022 to approximately RMB1,117 million in 1H2023. The increase was due to a 50% YoY increase in sales volume of liquid ammonia, partially offset by a 20% YoY decrease in the average selling price of liquid ammonia. With the successful commissioning of the 600,000-ton synthetic ammonia project at the Xinxiang Base, production capacity was newly released, leading to an increase in sales.

The gross profit margin of liquid ammonia of the Group decreased by approximately 16 percentage points from approximately 36% in 1H2022 to approximately 20% in 1H2023. It was mainly due to the decrease in the average selling price of liquid ammonia.

DMF

In 1H2023, the sales revenue of DMF was RMB523 million, the sales volume exceeded 114,000 tons, while the gross profit margin was approximately 11%. DMF products of the Group were completed and put into operation in the second half of 2022. The DMF project has made full use of its flexible edge for joint production in a “rooting” approach and extended the product chain by utilising methanol and liquid ammonia, which satisfies the demand for fine chemicals in the southern market and enriches the product structure, further enhancing the profitability of the Group.

(I) BUSINESS REVIEW *(Continued)*

Other income, net

Other income, net increased by approximately RMB29 million or approximately 48% from approximately RMB61 million in 1H2022 to approximately RMB90 million in 1H2023. The increase was mainly due to a YoY increase of 146% in net profit from sales of by-products, such as ash and packaging, etc.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB18 million or 5% from approximately RMB329 million in 1H2022 to approximately RMB311 million in 1H2023. This was mainly due to the decline in the performance of the Group affected by market conditions, resulting in a YoY decrease of RMB47 million in the commission and bonus of marketing staff, which was partially offset by increases in the transportation handling fees and promotional consultation service fees of RMB16 million and RMB13 million YoY, respectively.

General and administrative expenses

General and administrative expenses decreased by approximately RMB12 million or 2% from approximately RMB652 million in 1H2022 to RMB640 million in 1H2023, which was mainly due to a YoY decrease of RMB37 million in the salary of the management as a result of the decline in the performance of the Group. However, as the Group continued to increase its effort on technological innovations and adhered to green and sustainable development, research and development expenses and safety and environmental protection expenses increased by RMB15 million and RMB3 million, respectively, which partially offset the decrease.

(I) BUSINESS REVIEW *(Continued)*

Finance costs

Finance costs decreased by approximately RMB11 million or 3% from approximately RMB335 million in 1H2022 to approximately RMB324 million in 1H2023, which was mainly due to the decrease in the average interest rate of the interest-bearing borrowings.

Income tax expense

Income tax expense decreased by approximately RMB154 million or 51% from approximately RMB302 million in 1H2022 to RMB148 million in 1H2023 due to the decline in the Group's profits and the new high-tech enterprises preferential income tax rate.

Profit for the period

The profit for the period decreased by approximately RMB526 million or 40% from approximately RMB1,304 million in 1H2022 to approximately RMB778 million in 1H2023. This was mainly due to the decrease in gross profit of approximately RMB751 million; decrease in gross profit for the period was partially offset by the decrease in selling and distribution expenses of RMB18 million; decrease in general and administrative expenses of RMB12 million; decrease in finance cost of RMB11 million, and decrease in income tax expense of RMB154 million.

(II) FINANCIAL REVIEW

Gearing

The Group monitors capital using a gearing ratio, which is net debt divided by the sum of total capital plus net debt.

	30 June 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade payables	**803,057**	645,698
Bills payable	**860,742**	496,618
Contract liabilities	**730,231**	1,514,349
Accruals and other payables	**2,437,329**	2,525,832
Amounts due to related companies	**19,269**	71,632
Loan from a non-controlling interest	**47,800**	48,800
Interest-bearing bank and other borrowings	**12,321,133**	12,335,527
Bonds payable	–	299,481
Lease liabilities	**18,323**	23,251
Other liabilities	**114,629**	111,856
Less: Cash and cash equivalents	**(1,178,066)**	(1,469,765)
Less: Pledged time deposits	**(851,325)**	(595,496)
Net debt	**15,323,122**	16,007,783
Equity attributable to owners of the parent	**7,077,498**	6,886,203
Less: Statutory reserve fund	**(665,869)**	(665,869)
Total capital	**6,411,629**	6,220,334
Capital and net debt	**21,734,751**	22,228,117
Gearing ratio	**70.50%**	72.02%

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

(III) PROSPECTS

Looking forward to the second half of the year, the rebound in energy prices and the rise in global food prices will drive the price of chemical fertilizers upwards. In addition, the announcement of favorable export policies is expected to stimulate an increase in export volume and provide strong support for fertilizer prices. At the same time, as the domestic economy continues to recover, it is expected that the chemical market will improve. Taking advantage of the economic cycle, the Group carried out scheduled shutdowns and inspections of Jiujiang base and Xinjiang base in stages, laying the foundation for efficient production after the economy recovers. At the same time, we will continue to invest in our innovation capabilities, increase the research and development, and promote new high-efficiency fertilizers, gradually form an advantage in product differentiation and solidify product competitive strength.

In terms of project construction, the Group's Xinxiang Base's urea project with an annual production capacity of 700,000 tons is expected to be completed and put into operation in the fourth quarter of this year; the Group's Liaoning Huludao Base's one-million-ton ecological fertilizer project is under construction in an orderly manner and is expected to be completed and put into operation by the end of this year . According to the Group's "double reduction" requirements, the project funding will be allocated rationally. It is necessary to fully balance between risk and development, scientifically control the investment rhythm and structure, and ensure that the cash flows from operations matches the funding demands to lower both interest and liability indicators. While further tapping the resource potential of existing bases and improving energy efficiency of existing projects, the Group seized development opportunities, integrated resources and expanded the layout of new bases to achieve large-scale and effective growth.

(IV) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

- ***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.

(IV) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks *(Continued)*

- ***Commodity Price Risk***

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

- ***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.

- ***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.

- ***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 0.7% for the six months ended 30 June 2023, which remained at a similar level as compared to the increase in the same period of last year. Such inflation in the PRC did not have a significant impact on the Group's operating results.

- ***Liquidity Risk***

  The Group monitors its risk exposure to shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected 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 30 June 2023, approximately RMB5,434 million (31 December 2022: RMB5,556 million), or 44.11% (31 December 2022: 45.04%) 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. Currently, the Group is adjusting the loan structures and obtained sufficient long term bank credit.

(IV) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks *(Continued)*

- ***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. In order 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 in 2022 and 2021. The gearing ratio of the Group as at 30 June 2023 (calculated as net debt divided by the sum of total capital plus net debt) was 70.50%, representing a decrease of 1.52 percentage points as compared to 31 December 2022.

2. Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities (2022: Nil).

3. Material Litigation and Arbitration

As at 30 June 2023, the Group was not involved in any material litigation or arbitration (2022: Nil).

4. 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 interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

5. Compliance with the Code on Corporate Governance Practices

The Company devotes to maintaining good practice of 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**") for the six months ended 30 June 2023.

6. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

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 transaction by the directors of the Company. The Board confirms that, having made specific enquiries with all directors of the Company, during the six months ended 30 June 2023, all directors have complied with the required standards of the Model Code.

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

At the 2022 annual general meeting held on 24 June 2022, the Directors of the Company were granted a general mandate (the "**Repurchase Mandate 1**") to purchase or acquire shares on the SEHK through the spot market at any time and on such terms and conditions as they think fit in their sole discretion, provided that the total number of shares to be repurchased pursuant to the repurchase mandate shall not exceed 10% of the total number of shares in issue as at the date of passing the relevant resolution.

At the 2023 annual general meeting held on 2 June 2023, the Directors of the Company were granted a general mandate (the "**Repurchase Mandate 2**") to purchase or acquire shares on the SEHK through the spot market at any time and on such terms and conditions as they think fit in their sole discretion, provided that the total number of shares to be repurchased pursuant to the repurchase mandate shall not exceed 10% of the total number of shares in issue as at the date of passing the relevant resolution.

Pursuant to the Repurchase Mandate 1, during the period from 1 January 2023 to 1 June 2023, the Company repurchased 8,543,000 issued shares of the Company on the SEHK, representing 0.7% of the total issued share capital of the Company as at 24 June 2022, at the highest price of HK$4.5 per share and the lowest price of HK$4.0 per share at a total consideration of HK$36,246,000 (excluding transaction costs). The aforesaid repurchased shares were canceled on 18 July 2023.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

7. Purchase, Sales or Redemption of the Company's Securities *(Continued)*

Pursuant to the Repurchase Mandate 2, during the period from 2 June 2023 to 30 June 2023, the Company repurchased 815,000 issued shares of the Company on the SEHK, representing 0.06% of the total issued share capital of the Company as at 2 June 2023, at the highest price of HK$3.75 per share and the lowest price of HK$3.41 per share at a total consideration of HK$2,908,000 (excluding transaction costs). The aforesaid repurchased shares were canceled on 18 July 2023.

In conclusion, during the Period, the Company repurchased 9,358,000 issued shares of the Company in total, representing 0.76% of the total issued share capital of the Company on 30 June 2023, at the highest purchase price of HK$4.5 per share and the lowest price of HK$3.41 per share at a total consideration of HK$39,154,000 (excluding transaction costs). All shares repurchased during the Period have been cancelled.

Save as disclosed above, for the six months ended 30 June 2023, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any other listed securities of the Company.

8. Employees and Remuneration Policy

As at 30 June 2023, there were 9,817 (31 December 2022: 9,313) 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 according to sales performance, commissions and bonuses are issued to marketing personnel. Due to the decline in performance this year, the performance commissions and bonus of marketing personnel has decreased.

9. Significant Events after the Period

There were no significant events affecting the Group which have occurred since the end of the Period.

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, 18 August 2023

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*