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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 2023

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 2023 ("**9M2023**").

In the first three quarters, due to the market condition of insufficient support from raw material costs and oversupply, the relevant prices of coal chemical products fluctuated downward, thus negatively affecting the price of the Group's fertiliser and chemical products. However, according to the development strategy of "fertiliser as foundation, fertiliser and chemical side by side", the Group has continuously increased flexible production adjustments based on market demand to minimize the adverse impact of market fluctuations on its financial performance. As cost support gradually strengthened in the third quarter, the prices of various products increased narrowly from the previous quarter, while the performance indicators improved significantly. Meanwhile, the Group's asset-liability ratio and total interest-bearing liabilities were continuously reduced, and the asset structure was further optimized.

The unaudited consolidated revenue of the Group increased by RMB4 million or approximately 0.02% from approximately RMB17,516 million for the nine months ended 30 September 2022 ("**9M2022**") to approximately RMB17,520 million for 9M2023. The unaudited consolidated net profit of the Group decreased by approximately RMB428 million or 27% from approximately RMB1,584 million for 9M2022 to approximately RMB1,156 million for 9M2023. The unaudited total comprehensive income attributable to the owners of the parent decreased by approximately RMB312 million or 27% from approximately RMB1,141 million for 9M2022 to approximately RMB829 million for 9M2023.

The unaudited consolidated revenue of the Group increased by approximately RMB159 million or 3% from approximately RMB5,302 million in the third quarter of 2022 to approximately RMB5,461 million in the third quarter of 2023. The unaudited consolidated net profit of the Group increased by approximately RMB98 million or 35% from approximately RMB280 million in the third quarter of 2022 to approximately RMB378 million in the third quarter of 2023. The unaudited total comprehensive income attributable to the owners of the parent increased by approximately RMB102 million or 55% from approximately RMB181 million in the third quarter of 2022 to approximately RMB283 million in the third quarter of 2023.

FINISHED UREA PRODUCTS

Revenue derived from the sales of urea decreased by approximately RMB228 million or 4% from RMB5,121 million for 9M2022 to approximately RMB4,893 million for 9M2023. The decrease was mainly due to a 7% year-on-year ("**YoY**") decrease in the average selling price of urea, which was partially offset by a 3% increase in sales volume. Affected by periodic oversupply and falling coal prices in the first half years, urea prices fluctuated downward.

The gross profit margin of urea was 31%, basically maintained at the same level YoY.

UREA SOLUTION FOR VEHICLE

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB87 million or 21% from approximately RMB417 million for 9M2022 to approximately RMB330 million for 9M2023. 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 6% and 16% YoY respectively. To ensure that product margin is maximized, the Group voluntarily abandoned low-margin orders and reduced the capacity of urea solution for vehicle by 22% YoY, which led to the decline in sales volume.

Gross profit margin of sales of urea solution for vehicle increased by approximately 7.7 percentage points from approximately 22.3% for 9M2022 to 30% for 9M2023. Mainly due to the decline in raw material prices, the decrease in the production cost of urea solution for vehicle was higher than the decrease in the selling price.

COMPOUND FERTILISERS

Revenue derived from the sales of compound fertilisers decreased by approximately RMB103 million or 2% from approximately RMB4,790 million for 9M2022 to approximately RMB4,687 million for 9M2023, mainly due to the 15% YoY decrease in average selling price, which was partially offset by the 15% YoY increase in sales volume. As raw material prices, such as phosphate fertiliser and potassium fertiliser, which fell by 16% and 25% YoY respectively, continued to weaken, insufficient cost support has affected compound fertiliser prices. In addition, the Group expanded overseas markets and completed the first batch of export trade of compound fertilisers, boosting sales growth.

Gross profit margin of compound fertilisers of the Group decreased by approximately 2.4 percentage points to 12.4% in 9M2023 from approximately 14.8% in 9M2022. The 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 RMB155 million or 9% from approximately RMB1,736 million for 9M2022 to approximately RMB1,581 million for 9M2023. The decrease was mainly due to the decrease in average selling price of methanol of the Group by 9% YoY. Factors such as abundant market supply, lower-than-expected demand recovery, and limited raw material cost support resulted in decline in methanol prices. However, as coal prices gradually returned to high levels, the MoM decrease in methanol prices has narrowed in the third quarter. The Group converted alcohol into ammonia by using flexible adjustments to minimize the production volume of self-produced alcohol by 28% YoY. At the same time, it continued to strengthen the extension of product chains, such as DMF, dimethyl ether (DME) products, which further improved the consumption capacity of methanol.

The gross profit margin of methanol was negative 1%, basically maintained at the same level YoY. The Group has made solid efforts to reduce energy consumption and improve comprehensive utilization efficiency of resources. In the third quarter, the Jiangxi Base was rated as the Benchmark Enterprise for the Methanol Efficiency leader in 2022. It achieved "double leadership" in synthetic ammonia and methanol efficiency for the first time, and its energy consumption indicators reached the industry-leading level.

MELAMINE

Revenue derived from the sales of melamine decreased by approximately RMB234 million or 29% from RMB805 million for 9M2022 to approximately RMB571 million for 9M2023. This was mainly due to the decrease in the average selling price and sales volume of melamine of the Group by approximately 25% and 5% YoY, respectively. During the first half of the year, overcapacity in domestic market and weak demand, shrinking overseas market demand, and pressure on exports have negatively affected melamine prices. However, the steady increase in the price of raw materials of urea has resulted in a 9% quarter-on-quarter increase in the melamine prices in the third quarter. The decrease in sales volume was due to a 7% YoY decrease in production capacity due to scheduled maintenance at the Xinjiang Base.

Gross profit margin of melamine of the Group decreased by approximately 19 percentage point to approximately 34% for 9M2023 from approximately 53% for 9M2022. The decrease was mainly due to the decrease in average selling price of melamine.

MEDICAL INTERMEDIATE

Revenue derived from the sales of medical intermediate products increased by approximately RMB118 million or 37% from approximately RMB321 million for 9M2022 to approximately RMB439 million for 9M2023. The increase was mainly due to an increase in selling volume of medical intermediate products by 44% YoY. The medical intermediate segment has continued to enrich its product mix, and the new production has achieved full capacity, leading to an increase in sales volume. However, affected by mismatch between supply and demand for certain products such as cytosine and adenine, the selling prices of the medical intermediate segment dropped by 5% YoY, resulting in a decrease in the gross profit margin of such segment by approximately 3.6 percentage points from approximately 14.6% for 9M2022 to 11% for 9M2023.

LIQUID AMMONIA

The sales revenue of liquid ammonia increased by approximately RMB202 million or 14% from RMB1,482 million in 9M2022 to approximately RMB1,684 million in 9M2023. The increase was due to a 32% YoY increase in sales volume of liquid ammonia, partially offset by a 14% YoY decrease in the average selling price of liquid ammonia. The Group adjusted its production capacity of liquid ammonia and methanol based on market demand and product profitability. Through in-depth flexible production adjustments, the increase in liquid ammonia production led to an increase in sales volume.

The gross profit margin of liquid ammonia of the Group decreased by approximately 10 percentage points from approximately 29% in 9M2022 to approximately 19% in 9M2023. The decrease was mainly due to the decrease in the average selling price of liquid ammonia.

DMF

In 9M2023, the sales revenue of DMF was RMB783 million, the sales volume exceeded 174,000 tons, while the gross profit margin was approximately 14%. Since DMF was put into operation, customer satisfaction has increased rapidly with its location, quality and market advantages. The Group's market share has reached over 30%. Meanwhile, as patented technology was used for the project, the energy consumption index has achieved industry-leading performance, laying a solid foundation for building a leading brand in the DMF industry.

PROSPECTS AND OUTLOOK

During the fourth quarter, as affected by international environment, energy prices and global food prices has risen, driving international urea prices to increase. Domestic demands for coal storage in winter were released, and coal prices stalwartly remained at a high level. In addition, the domestic environmental protection policies may cause the urea supply to be constrained. In the short term, production capacity is relatively controllable, at the same time, the expansion of agricultural area and the lag in agricultural demand in autumn and winter were expected to drive demand for chemical fertiliser. Market supply and demand conditions will show a tight balance and support fertiliser prices. In terms of chemicals, as favorable economic policies are introduced, terminal demand for chemical products will increase, which is expected to stimulate the gradual upturn of chemical products in the business cycle.

With the successful commissioning of the 700,000-ton urea project at the Xinxiang base, the Group's production capacity has further expanded, processing technology has been comprehensively improved, flexible control capabilities in the park have continued to increase, providing strong support for the Group's efficient operations. In addition, the Group's Huludao base in Liaoning is scheduled to be completed and put into operation by the end of the year, fully optimizing the compound fertiliser market layout, and further enhance the Group's ability to withstand market fluctuations. At the same time, with the continuous increase in the scale of domestic land transfer and the vigorous promotion of the water and fertiliser integration, the high-quality development of modern agriculture has been accelerated and provided a large market for differentiated products. The Group took the lead in proposing the brand positioning of "Chinese high-efficiency fertiliser advocator" in the industry, which adheres to the product differentiation strategy, and continue to increase the research and development as well as promotion of high-efficiency fertilisers through scientific research platforms, laying the foundation for strengthening core competitiveness of the Group.

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

Hong Kong, 3 November 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*