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 2023

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 2023 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 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*4, 5*	**23,475,338**	23,071,897
Cost of sales		**(19,288,318)**	(18,723,015)
Gross profit	*4*	**4,187,020**	4,348,882
Other income and gains	*5*	**298,931**	187,293
Selling and distribution expenses		**(618,274)**	(529,379)
General and administrative expenses		**(1,299,158)**	(1,071,615)
Other expenses		**(40,136)**	(87,200)
Finance costs	*6*	**(579,993)**	(662,193)
Impairment losses on financial assets		**(9,310)**	(9,806)
Share of profits of associates		**665**	4,675
Profit before tax	*7*	**1,939,745**	2,180,657
Income tax expense	*8*	**(302,451)**	(372,482)
Profit for the year		**1,637,294**	1,808,175
Profit attributable to:			
Owners of the parent		**1,186,882**	1,326,211
Non-controlling interests		**450,412**	481,964
Total comprehensive income for the year		**1,637,294**	1,808,175
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(RMB cents per share)*	*10*	**96.95**	109.67

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

		Group	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**20,236,061**	19,457,875
Right-of-use assets		**1,634,832**	1,386,660
Intangible assets		**69,710**	59,219
Goodwill		**63,022**	63,022
Coal mining rights		**232,447**	233,434
Equity investments at fair value through profit or loss		**29,638**	6,708
Prepayments for purchases of property, plant and equipment	*11*	**946,943**	117,923
Other assets		**66,488**	92,038
Deferred tax assets		**156,794**	84,737
Investments in associates		**107,983**	107,318
Pledged time deposits		**–**	23,833
Due from a related company		**6,190**	3,522
Total non-current assets		**23,550,108**	21,636,289
Current assets			
Due from related companies		**2,285**	4,087
Derivative financial instruments		**9,015**	9,827
Equity investments at fair value through profit or loss		**7,843**	11,817
Inventories		**1,596,661**	1,699,459
Trade and bills receivables	*12*	**1,138,101**	1,019,675
Prepayments	*11*	**600,907**	1,230,583
Deposits and other receivables		**346,379**	194,128
Pledged time deposits		**676,073**	571,663
Cash and cash equivalents		**1,162,558**	1,469,765
Contract assets		**25,029**	6,084
Other assets		**18,537**	13,799
Total current assets		**5,583,388**	6,230,887
TOTAL ASSETS		**29,133,496**	27,867,176

		Group	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Current liabilities			
Due to related companies		**97,671**	71,632
Trade payables	*13*	**1,388,617**	645,698
Bills payable	*14*	**939,068**	496,618
Contract liabilities		**1,346,124**	1,514,349
Accruals and other payables		**2,087,375**	1,936,448
Income tax payable		**94,913**	–
Deferred grants		**10,526**	10,426
Interest-bearing bank and other borrowings	*15*	**4,468,625**	5,556,085
Lease liabilities		**4,069**	3,738
Bonds payable		**–**	299,481
Other liabilities		**6,593**	6,280
Total current liabilities		**10,443,581**	10,540,755
NET CURRENT LIABILITIES		**(4,860,193)**	(4,309,868)
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,689,915**	17,326,421
Non-current liabilities			
Loan from non-controlling interests		**49,800**	48,800
Interest-bearing bank and other borrowings	*15*	**7,164,507**	6,779,442
Deferred grants		**122,088**	72,068
Deferred tax liabilities		**149,632**	118,062
Provision for rehabilitation		**26,280**	25,748
Accruals and other payables		**493,077**	589,384
Lease liabilities		**74,600**	19,513
Other liabilities		**98,933**	105,576
Total non-current liabilities		**8,178,917**	7,758,593
TOTAL LIABILITIES		**18,622,498**	18,299,348
NET ASSETS		**10,510,998**	9,567,828

	Group	
	2023	2022
	RMB'000	*RMB'000*
Equity attributable to owners of the parent		
Share capital	**1,457,380**	1,493,096
Special reserve	**4,127**	4,127
Statutory reserve fund	**863,518**	665,869
Other reserve	**1,984,035**	2,013,106
Retained profits	**3,378,490**	2,710,005
Equity attributable to the parent	**7,687,550**	6,886,203
Non-controlling interests	**2,823,448**	2,681,625
TOTAL EQUITY	**10,510,998**	9,567,828
TOTAL EQUITY AND LIABILITIES	**29,133,496**	27,867,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 9 Raffles Place, #26-01, Republic Plaza, Singapore, 048619. 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, DMF, melamine, liquid ammonia, urea solution for vehicle 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 2023. 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 IAS 1: *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1: *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 7: *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21: *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28: *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date 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 2023	Urea	Urea Solution for vehicle	Compound fertiliser	Methanol	Melamine	Medical intermediate	Liquid ammonia	DMF	Others**	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	6,874,417	434,118	6,129,573	2,338,594	784,173	616,039	2,091,215	1,047,023	3,160,186	–	23,475,338
Intersegment sales	1,644,897	145,447	864,468	1,669,090	193,613	14,358	800,653	–	476,175	(5,808,701)	–
Total revenue	8,519,314	579,565	6,994,041	4,007,684	977,786	630,397	2,891,868	1,047,023	3,636,361	(5,808,701)	23,475,338
Segment profit	2,006,645	120,198	793,012	(14,190)	225,583	52,778	380,053	116,007	506,934	–	4,187,020
Interest income											23,174
Unallocated other income and gains											275,757
Unallocated expenses, net											(1,966,213)
Finance costs											(579,993)
Profit before tax											1,939,745
Income tax expense											(302,451)
Profit for the year											1,637,294
Other segment information:											
Loss on disposed of items of property, plant and equipment *(note 7)*											577
Depreciation of property, plant and equipment *(note 7)*											1,492,772
Amortisation of intangible assets *(note 7)*											10,150
Depreciation of right-of-use assets *(note 7)*											29,612
Amortisation of coal mining rights *(note 7)*											987
Impairment of property, plant and equipment *(note 7)*											4,817
Capital expenditure*											2,484,743

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

** Other products include chemical products such as dimethyl ether, furfuryl alcohol and methylamine, with sales revenue of RMB631 million, RMB403 million, and RMB314 million respectively.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

For the year ended 31 December 2022	Urea	Urea Solution for vehicle	Compound fertiliser	Methanol	Melamine	Medical intermediate	Liquid ammonia	DMF	Others	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales to external customers	6,830,143	542,651	6,115,851	2,283,070	966,514	440,448	2,036,982	180,051	3,676,187	–	23,071,897
Intersegment sales	1,423,172	178,155	454,788	739,255	219,570	–	222,181	–	737,819	(3,974,940)	–
Total revenue	8,253,315	720,806	6,570,639	3,022,325	1,186,084	440,448	2,259,163	180,051	4,414,006	(3,974,940)	23,071,897
Segment profit	1,909,460	120,534	785,398	(9,042)	475,456	57,611	595,431	162	413,872	–	4,348,882
Interest income											36,692
Unallocated other income and gains											150,601
Unallocated expenses, net											(1,693,325)
Finance costs											(662,193)
Profit before tax											2,180,657
Income tax expense											(372,482)
Profit for the year											1,808,175
Other segment information:											
Loss on disposed of items of property, plant and equipment *(note 7)*											38,070
Depreciation of property, plant and equipment *(note 7)*											1,374,785
Amortisation of intangible assets *(note 7)*											9,199
Depreciation of right-of-use assets *(note 7)*											33,353
Amortisation of coal mining rights *(note 7)*											3,527
Capital expenditure*											3,321,921

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

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:

	2023	2022
	RMB'000	*RMB'000*
REVENUE		
Sale of goods	**23,275,396**	23,023,831
Construction and installation services	**199,942**	48,066
	23,475,338	23,071,897
OTHER INCOME AND GAINS		
Bank interest income	**23,174**	36,692
Sales of by-products, water, electricity and steam	**83,538**	75,470
Government grants	**142,986**	44,416
Compensation income	**5,955**	9,716
Rental income	**5,902**	3,221
Gain on other investments	**216**	551
Gain on derivative financial instruments	**1,227**	317
Exchange gains	**10,114**	5,543
Gain on bargain purchase	**303**	–
Others	**25,516**	11,367
Total other income and gains	**298,931**	187,293

6. FINANCE COSTS

The Group's finance costs are analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans, other loans and bonds	**575,668**	660,887
Interest on lease liabilities	**4,325**	1,306
	579,993	662,193

7. PROFIT BEFORE TAX

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

	Group	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**19,288,318**	18,723,015
Depreciation of property, plant and equipment	**1,492,772**	1,374,785
Amortisation of intangible assets	**10,150**	9,199
Depreciation of right-of-use assets	**29,612**	33,353
Amortisation of coal mining rights	**987**	3,527
Expenses relating to short-term leases:		
Factories	**4,036**	6,061
Buildings	**240**	30
Land	**58**	495
	4,334	6,586
Auditor's remuneration	**4,724**	4,550
Employee benefit expenses (including directors' remuneration):		
Salaries and bonuses	**1,508,055**	1,335,709
Pension scheme contributions (defined contribution scheme)	**212,429**	148,658
Benefits in kind	**119,474**	102,758
Share-based payment expense	**8,301**	7,613
	1,848,259	1,594,738
Impairment losses on financial assets	**9,310**	9,806
Impairment of property, plant and equipment	**4,817**	–
Impairment of inventories	**12,379**	27,537
Foreign exchange differents, net	**(10,114)**	(5,543)
Loss on fair value changes of financial instruments through profit or loss, net	**3,405**	1,413
Loss on disposal of property, plant and equipment	**577**	38,070
Donations	**2,703**	6,458

8. INCOME TAX

The Company is incorporated in Singapore and is subject to an income tax rate of 17% (2022: 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% (2022: 25%). In 2023, fourteen (2022: thirteen) of the subsidiaries were awarded the High and New Tech Enterprise Award as recognition of their innovation and use of state-of-the-art equipment in the PRC. 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 High and New Tech Enterprise Award.

The major components of income tax expense for the financial years ended 31 December 2023 and 2022 are:

	Group	
	2023	2022
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**329,872**	300,184
Under provision in respect of prior years	**13,066**	4,970
Deferred tax	**(40,487)**	67,328
Total tax charge for the year	**302,451**	372,482

9. PROPOSED FINAL DIVIDENDS

The Board recommended the payment of a final dividend of RMB24 cents per share for the year ended 31 December 2023 (the "**Proposed Final Dividend**") (2022: RMB25 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.

	2023	2022
	RMB'000	*RMB'000*
Proposed Final Dividend – RMB24 cents (2022: RMB25 cents) per ordinary share	**292,503**	307,030

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 1,224,222,000 (2022: 1,209,288,000), as adjusted to reflect additional shares issued in 2022 and shares repurchased and cancelled in 2023.

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

	2023 ***RMB'000***	2022 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**1,186,882**	1,326,211

	2023 ***Number of shares***	2022 *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	**1,224,222,000**	1,209,288,000

11. PREPAYMENTS

	2023 ***RMB'000***	2022 *RMB'000*
NON-CURRENT		
Prepayments for purchases of property, plant and equipment	**946,943**	117,923
CURRENT		
Advance deposits to suppliers	**600,907**	1,230,583

12. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**495,910**	470,624
Bills receivable	**642,191**	549,051
Trade and bills receivables	**1,138,101**	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.

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**309,630**	276,885
1 to 3 months	**95,586**	68,152
3 to 6 months	**44,935**	56,754
6 to 12 months	**45,759**	68,833
	495,910	470,624

13. 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	
	2023	2022
	RMB'000	*RMB'000*
Within 1 month	**1,109,016**	469,717
1 to 3 months	**138,533**	86,675
3 to 6 months	**77,631**	37,820
6 to 12 months	**36,013**	25,666
Over 12 months	**27,424**	25,820
	1,388,617	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.

14. 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 RMB500,462,000 (2022: RMB217,687,000).

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2023	2022
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,088,482**	4,966,043
In the second year	**4,852,770**	3,634,656
In the third to fifth years, inclusive	**2,090,970**	2,680,099
Beyond five years	**49,620**	–
	11,081,842	11,280,798
Loans from leasing company/finance lease payables:		
Within one year or on demand	**380,143**	590,042
In the second year	**150,960**	362,120
In the third to fifth years, inclusive	**20,187**	102,567
	551,290	1,054,729
	11,633,132	12,335,527

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, other liabilities, and lease liabilities less cash and cash equivalents and pledged time deposits. Capital includes equity attributable to the owners of the parent less the abovementioned statutory reserve fund.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

In 2023, global economic recovery was sluggish, acute supply and demand mismatched, international energy and global food prices fluctuated widely, which negatively affected fertilizer prices and overall industry performance, resulting in a year-on-year ("**YoY**") decline in the prices of the Group's coal chemical-related products.

The 700,000-ton urea project of the Group's Xinxiang base and the second phase of the DMF project of the Jiangxi base were successfully put into operation, high-quality production capacity has been further released. It has not only enhanced production capacity and product sales, but also reduced consumption and the average cost of the production base. The energy consumption indicators of the Group reached the industry-leading level. This ensures that the Group can still achieve stable revenue growth despite completing planned maintenance.

Revenue

Revenue increased by RMB403 million or approximately 2% from RMB23,072 million in the financial year ended 31 December 2022 ("**FY2022**") to RMB23,475 million in the financial year ended 31 December 2023 ("**FY2023**").

Finished urea products

Revenue derived from the sales of urea increased by approximately RMB44 million or approximately 1% from RMB6,830 million for FY2022 to approximately RMB6,874 million for FY2023. The increase in revenue was mainly due to a combination of an increase in sales volume by 9% YoY, and a decrease in the average selling price by approximately 7% YoY. In the fourth quarter, the new production capacity of the Xinxiang base was fully released, driving overall sales growth. At the same time, the Group actively expanded its international trade business and penetrated into overseas markets such as Brazil and India, driving urea export volume to increase by 112% YoY.

Gross profit margin of urea of the Group increased by approximately 1 percentage point to approximately 29% for FY2023 from approximately 28% for FY2022. The increase was mainly due to the relatively loose supply and demand pattern of coal and the decline in raw material prices, which resulted in the Group's average sales cost of urea falling by 9% YoY.

(I) BUSINESS REVIEW *(Continued)*

Revenue *(Continued)*

Urea solution for vehicle

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB109 million or approximately 20% from approximately RMB543 million for FY2022 to approximately RMB434 million for FY2023. The decrease in revenue was mainly due to the decrease in average selling price and sales volume of the Group by approximately 9% and 12% YoY respectively. In a market environment where raw material cost support is weakening, in order to increase profit margin, the Group has optimized the profitability of each region, by selectively abandoning orders that have long transportation distances, high costs and low profits, and simultaneously reducing the production volume of automotive urea solutions by 17% YoY, which lowered sales volume.

Gross profit margin of sales of urea solution for vehicle increased by approximately 6 percentage points from approximately 22% for FY2022 to 28% for FY2023. This is mainly due to the decline in raw material prices. The average cost of sales of urea solution for vehicle decreased by 15% YoY, which was higher than the decrease in selling prices.

Compound fertiliser

Revenue derived from the sales of compound fertilisers increased by approximately RMB14 million or approximately 0.2% from approximately RMB6,116 million for FY2022 to approximately RMB6,130 million for FY2023. The slight increase in revenue was mainly due to a 16% YoY increase in sales volume and a 13% YoY decrease in average selling price. In FY2023, the sales volume of compound fertilizers increased to 2,305,000 tons, of which the sales volume of high-efficiency compound fertilizers increased by 25% YoY. Relying on the advantages of multiple bases, the Group focused on the core geographical circle of each base, strengthened channels and brand building, developed traditional channels and supported sales growth. In addition, the prices of raw materials potassium fertilizer and phosphate fertilizer fell by 25% and 11% YoY respectively. Cost supports were weak, which negatively affected compound fertilizer prices.

Gross profit margin of compound fertilisers of the Group remained stable at 13% in FY2023.

(I) BUSINESS REVIEW *(Continued)*

Revenue *(Continued)*

Methanol

Revenue derived from the sales of methanol increased by approximately RMB56 million or approximately 2% from approximately RMB2,283 million for FY2022 to approximately RMB2,339 million for FY2023. The increase in methanol sales was driven by a 9% YoY sales volume increase and a 6% YoY decrease in average selling prices. In order to maximize marginal benefits, the Group extends the industrial chain to downstream fine chemicals such as DMF and dimethyl ether to increase the internal consumption of methanol. The flexible adjustment by converting alcohol to ammonia resulted in a decrease in the output of self-produced methanol by 29% YoY. However, in order to maintain sales channels, the Group expanded its trading business and further expanded the southern market to increase sales.

Due to insufficient support from coal prices in the first half of the year, the selling price of methanol fell, which affected the gross profit margin of methanol to a negative 0.6%. The Group has always focused on innovation and R&D for methanol energy saving and has continuously carried out optimization of methanol distillation which effectively reduced steam consumption by 120,000 tons per year. At the same time, the Jiangxi base took the lead in methanol energy efficiency. Total energy consumption per ton of methanol was 9.3% lower than the industry average, which provide support for the average cost of sales of methanol to decrease by 6% YoY.

Melamine

Revenue derived from the sales of melamine decreased by approximately RMB183 million or approximately 19% from RMB967 million for FY2022 to approximately RMB784 million for FY2023. The decrease in revenue was primarily due to an approximately 22% YoY decrease in average selling prices of melamine, partially offset by a 4% YoY increase in sales volume. While global economic recovery slowed down, overseas demand continued to be weak, dragging down export prices by 33% YoY. The domestic market was under pressure. Affected by the mismatch between supply and demand and weak support from raw material costs, melamine prices fell significantly.

Gross profit margin of melamine of the Group decreased by approximately 20 percentage points to approximately 29% for FY2023 from approximately 49% for FY2022. This is mainly due to the decrease in the average selling price of melamine.

(I) BUSINESS REVIEW *(Continued)*

Revenue *(Continued)*

Medical intermediate

Revenue derived from the sales of medical intermediate increased by approximately RMB176 million or approximately 40% from approximately RMB440 million for FY2022 to approximately RMB616 million for FY2023. This was due mainly to the increase in average selling price and sales volume of this segment by approximately 14% and 23% YoY respectively. The Group combined market demand and took advantage of existing resources to carry out technological transformation of the original production line. The increase in output led to a significant increase in sales. In addition, the Group increased marketing of adenine, which has a higher unit price, and its market share increased to more than 50%, driving selling price growth in this segment.

Gross profit margin of medical intermediate decreased by approximately 4 percentage points from approximately 13% for FY2022 to 9% for FY2023. As the nucleoside project located in the Xinjiang base is in the trial production stage, the equipment performance is relatively unstable, which affects the production cost of this segment to increase by 8% YoY. Through continuous adjustments, this indicator has gradually improved.

Liquid ammonia

Revenue derived from the sales of liquid ammonia increased by approximately RMB54 million or approximately 3% from approximately RMB2,037 million for FY2022 to approximately RMB2,091 million for FY2023. The increase was mainly due to the 17% YoY sales growth. The Group made flexible adjustments to the methanol production line and increased the production of liquid ammonia, which has relatively higher gross profit margin. This led to an increase in the Group’s liquid ammonia sales. However, affected by factors such as falling coal prices, loose supply and demand, and import shocks, liquid ammonia prices fluctuated downward, resulting in a 13% YoY decrease in average selling price. As a result, the gross profit margin of the Group’s liquid ammonia decreased by 11 percentage points YoY to 18% in FY2023.

(I) BUSINESS REVIEW *(Continued)*

Revenue *(Continued)*

DMF

In FY2023, DMF achieved sales revenue of approximately RMB1,047 million. Since the second phase of DMF was put into operation at the beginning of the year, the production has been relatively stable, and the consumption of steam per ton of DMF has been further reduced. Meanwhile, taking advantage of its main downstream consumer market concentration in East China, the sales volume of DMF exceeded 231,000 tons in FY2023. In addition, the Group increased development of international markets, such as Vietnam and South Korea, to further increase market share.

Other income and gains

Other income and gains increased by approximately RMB112 million, or approximately 60%, from approximately RMB187 million in FY2022 to approximately RMB299 million in FY2023. The increase was mainly due to (1) an increase in subsidy income of approximately RMB97 million; (2) an increase in the Group's net profit from sales of by-products, water, electricity and steam of approximately RMB8 million; and (3) an increase in exchange income of approximately RMB5 million, in FY2023.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB89 million or approximately 17% from RMB529 million in FY2022 to RMB618 million in FY2023. The increase was mainly due to: (1) the Group actively expanded national sales channels and organized marketing activities, resulting in a YoY increase in loading fees, warehousing fees, services and promotion fees of approximately RMB73 million; (2) the Group strengthened the outbound training and inspection of sales personnel, which resulted in a YoY increase in travel expenses of approximately RMB6 million; and (3) the newly added liquid fertilizer intelligent fertilization system, which increased both depreciation and repair costs by a total of approximately RMB4 million YoY.

General and administrative expenses

General and administrative expenses increased by approximately RMB227 million from approximately RMB1,072 million in FY2022 to approximately RMB1,299 million in FY2023. The increase was mainly due to:

(1) In accordance with the Group's national development strategy, it has increased the talent pool for new bases and projects. At the same time, it has further promoted high-quality development, continued to improve R&D efforts, and recruited experienced senior R&D personnel, resulting in an increase in remuneration of approximately RMB112 million YoY;

(2) As the Group's assets and business scale continue to grow, various taxes, safety and environmental charges, depreciation and maintenance fees have increased, resulting in an increase of approximately RMB44 million YoY;

(3) In order to enhance corporate visibility and improve management skills, publicity fees and travel expenses increased by approximately RMB34 million YoY;

(4) The Group accelerated towards digitalization and intelligence automation, external experts were engaged to provide consulting services to the Group, which led to an increase in service fees of approximately RMB19 million; and

(5) the Group focused on staff welfare, in order to enhance the sense of belonging and cohesion of employees coming from remote locations, welfare expenses increased by approximately RMB14 million.

Finance costs

Finance costs decreased by approximately RMB82 million or approximately 12% from approximately RMB662 million in FY2022 to approximately RMB580 million in FY2023. This is due to the reduction in interest-bearing borrowings and loans, as well as, with the decrease in loan interest rates, the Group has carried out high-interest loan replacements, effectively reducing financing costs.

Income tax expense

Income tax expense decreased by approximately RMB70 million or approximately 19% from approximately RMB372 million in FY2022 to approximately RMB302 million in FY2023.

Profit for the year

The profit for the year decreased by RMB171 million or approximately 9% from approximately RMB1,808 million in FY2022 to approximately RMB1,637 million in FY2023.

(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.

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**1,388,617**	645,698
Bills payable	**939,068**	496,618
Contract liabilities	**1,346,124**	1,514,349
Accruals and other payables	**2,580,452**	2,525,832
Other liabilities	**105,526**	111,856
Due to related companies	**97,671**	71,632
Loans from non-controlling interests	**49,800**	48,800
Interest-bearing bank and other borrowings	**11,633,132**	12,335,527
Bonds payable	**–**	299,481
Lease liabilities	**78,669**	23,251
Less: Cash and cash equivalents	**(1,162,558)**	(1,469,765)
Pledged time deposits	**(676,073)**	(595,496)
Net debt	**16,380,428**	16,007,783
Equity attributable to owners of the parent	**7,687,550**	6,886,203
Less: Statutory reserve fund	**(863,518)**	(665,869)
Adjusted capital	**6,824,032**	6,220,334
Capital and net debt	**23,204,460**	22,228,117
Gearing ratio	**70.59%**	72.02%

The Group's liability-asset ratio (total liabilities divided by total assets) was 63.9% as at 31 December 2023, a decrease of 1.8 percentage points YoY from 65.7%.

(III) PROSPECTS

Looking forward to 2024, the global economy is still volatile, international energy supply is stabilizing, coal prices fluctuated downward and raw material cost supports are slowing down. In light of these trends, the prices of chemical fertilizers will likely fluctuate within a narrow range. In the context of ensuing food security and supporting economic recovery, the current rigid agricultural demand and a slight increase in industrial demand will provide strong support for stable fertiliser prices. At the same time, the international fertiliser market is recovering steadily, and the Group will increase international market development to boost fertilisers exports. In terms of chemical products, as the domestic economy recovers, supply and demand patterns gradually resume normalcy, which will promote the recovery of chemical products market. In particular, the increase in demand for basic chemical products will be beneficial. It will help the Group's sales growth in basic chemical products.

With the deepening of large-scale development in the agriculture sector, coupled with the promotion of fertiliser reduction and efficiency-increasing technologies, the demand for high-efficiency fertilizers will be further released. As an advocate of high-efficiency fertilizers in the PRC, the Group will continue to strengthen product R&D, drive sales model transformation upgrade services, further enhance brand competitiveness and increase market share. At the same time, with the trend of large-scale land transfer, farmers have higher requirements for precise soil fertilisation. The Group's "water and fertiliser integration" model will not only improve crop quality and yield, but also increase water and fertiliser utilisation efficiency, which is in line with the development of modern, green and intelligent goals, leading to an overall industry upgrade and realizing the Group's corporate value in the marketplace.

The Group's polyformaldehyde project with an annual production capacity of 60,000 tons at the Manas base in Xinjiang and the first phase of the compound fertilizer project in Guangxi are progressing steadily and are expected to be completed and put into production in the fourth quarter of this year. By then, the Group's strategic direction of "fertilisers as base, simultaneous development of fertilizers and chemicals" will be clearer. While the Group's main fertilizer business focuses on geographical, large-scale and high-end developments, the chemicals business's industry chain is being further refined and differentiated; These form the Group's "dual strengths in fertilizers and chemicals" strategy. Meanwhile, the Group will continue to balance risks and opportunities, development and shareholder returns. On the premise of ensuring operating cash flow, based on the strategic planning, the Group thrives to optimize allocation of capital and foster sustainable development.

(IV) 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.

(IV) 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 0.2% in the year ended 31 December 2023 as compared with an increase of approximately 2% in 2022. 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 2023, approximately RMB4,469 million (31 December 2022: approximately RMB5,556 million), or approximately 38.41% (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.

(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 2023 and 2022. The gearing ratio of the Group (calculated as net debt divided by the aggregate of total capital and net debt) decreased from approximately 72.02% as at 31 December 2022 to approximately 70.59% as at 31 December 2023.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

2. Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities (2022: Nil).

3. Material Litigation and Arbitration

As at 31 December 2023, the Group was not involved in any material litigation or arbitration (2022: Nil).

4. Scope of work of Ernst & Young

The figures in respect of preliminary announcement of Group results for the year ended 31 December 2023 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 2023 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 C1 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") during the year ended 31 December 2023.

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 C3 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 2023.

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

For the year ended 31 December 2023, the Company repurchased 9,358,000 issued shares of the Company in total through the spot market of the SEHK at a total consideration of HK$39,154,000 (excluding transaction costs), with the consideration per share ranging from HK$3.41 to HK$4.5. The shares repurchased during such period represented approximately 0.77% of the issued shares as at 31 December 2023. All shares repurchased during the reporting period have been cancelled by the Company on 18 July 2023. The repurchase of shares is based on the Company's confidence on its long-term business prospects and potential growth. At the same time, the Company believes that actively optimizing the capital structure through the implementation of share repurchase will improve the earnings per share, net assets per share and overall shareholder returns. Details of the share repurchase as follows:

For the year ended 31 December 2023

Month of repurchase	Number of shares repurchased	Purchase consideration per share: Highest price paid	Purchase consideration per share: Lowest price paid	Total consideration paid
		HK$	*HK$*	*HK$*
May	8,543,000	4.5	4.0	36,246,000
June	815,000	3.75	3.41	2,908,000
Total:	9,358,000			39,154,000

Save as disclosed above, for the year ended 31 December 2023, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any other listed securities of the Company.

(IV) SUPPLEMENTARY INFORMATION *(Continued)*

9. Employees and Remuneration Policy

As at 31 December 2023, there were 10,390 (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 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, 8 March 2024

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*