CHINA XLX FERTILISER LTD.
中國心連心化肥有限公司 *

(Incorporated in Singapore with limited liability)
(Hong Kong Stock Code: 1866)

ANNOUNCEMENT OF UNAUDITED BUSINESS UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2024

The board of directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") hereby announces the unaudited business update of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2024 ("**3M2024**").

In the first quarter of 2024, the supply pattern was loose, raw material coal prices weakened, and exports were less than expected due to policy influence, resulting in a decrease in prices of coal chemical-related products. Due to these factors, the unaudited consolidated revenue of the Group for 3M2024 decreased by approximately RMB529 million or 8% from approximately RMB6,279 million for the three months ended 31 March 2023 ("**3M2023**"), to approximately RMB5,750 million. Despite the decline in product prices affecting the overall gross profit, the Group has strengthened product innovation and technological R&D, and increased the promotion of high-efficiency fertilisers and differentiated products, ensuring a stable and upward trend in gross profit margin. The gross profit margin of the leading product urea remained stable, while the gross profit margin of compound fertilisers and chemical products showed an upward trend, overall performance meeting expectations.

To further enhance market competitiveness, the Group has strengthened the construction of research platforms and development systems, promoting a strategy for new types of differentiated fertilisers. This has led to an increase in R&D investment as well as marketing and promotional expenses. Consequently, the unaudited consolidated net profit of the Group for 3M2024 decreased by approximately RMB79 million or 17% from approximately RMB462 million for 3M2023 to approximately RMB383 million. The unaudited comprehensive income attributable to owners of the parent company decreased by approximately RMB51 million or 15% from approximately RMB333 million for 3M2023 to approximately RMB282 million.

FINISHED UREA PRODUCTS

The urea sales revenue of the Group increased by approximately RMB41 million, or 2%, to approximately RMB1,994 million for 3M2024, from approximately RMB1,953 million for 3M2023. This increase was mainly due to a 26% year-on-year ("**YoY**") increase in urea sales volume, but this growth was partially offset by a 19% YoY decrease in the average selling price of urea. The successful commissioning of the 700,000-ton urea project at our Xinxiang base contributed to a 19% YoY increase in production, driving sales volume up to 965,000 tons.

The urea sales gross margin of the Group was 30% for 3M2024, which was stable compared to the same period last year.

UREA SOLUTION FOR VEHICLES

Revenue derived from the sales of urea solution for vehicles decreased by approximately RMB30 million, or 29%, to approximately RMB75 million for 3M2024 from approximately RMB105 million for 3M2023. Both the sales volume and average selling price decreased by 11% and 20% YoY respectively. Driven by environmental protection policies, the market size of urea solution for vehicles continues to expand, with industry supply becoming more diversified and concentration decreasing. This has led to the squeezing of product profit margins, affecting the gross margin of urea solution for vehicles in the first quarter, which decreased by 10 percentage points YoY to 14%. To enhance the ability to withstand market risks, the Group proactively reduced the production of urea solution for vehicles by 20% YoY. By reducing production, more effective production capacity can be used to explore and develop new products to meet market development needs, enhance profitability, and strengthen long-term competitiveness.

COMPOUND FERTILISERS

Revenue derived from the sales of compound fertiliser decreased by approximately RMB126 million, or 8%, to approximately RMB1,434 million for 3M2024 from approximately RMB1,560 million for 3M2023. This was mainly due to an 8% YoY decrease in the average selling price of compound fertiliser. During the first quarter, the prices of raw materials for compound fertiliser fluctuated downwards. Potassium fertiliser and phosphate fertiliser prices decreased by 32% and 11% YoY respectively. As a result, cost support weakened, coupled with delayed downstream demand release, which dragged down compound fertiliser prices.

The gross margin of compound fertiliser of the Group increased by approximately 3 percentage points to 14.7% for 3M2024 from 11.7% for 3M2023. On one hand, the decrease in raw material costs affected the average production cost of compound fertiliser, which decreased by 11% YoY. On the other hand, due to the fact that the gross profit margin of high-efficiency compound fertiliser was 4 percentage points higher than that of traditional compound fertiliser, the Group has intensified the promotion of high-efficiency compound fertiliser, resulting in a 3% YoY increase in sales volume.

METHANOL

Revenue derived from the sales of methanol increased by approximately RMB104 million, or 20%, to approximately RMB632 million for 3M2024 from approximately RMB528 million for 3M2023. This increase was mainly due to a 26% YoY increase in methanol sales volume. With the gradual recovery of demand for basic chemicals in the downstream market, the Group utilized flexible production and increased the flexibility of methanol and dimethyl ether production, resulting in a 24% YoY increase in methanol production, driving sales volume growth.

The gross margin of methanol of the Group increased by approximately 8 percentage points to 7% for 3M2024 from negative 1% for 3M2023. This was attributed to a 12% YoY decrease in average production costs of methanol, influenced by the decline in raw material coal prices.

MELAMINE

Revenue derived from the sales of melamine increased by approximately RMB15 million, or 8%, to approximately RMB213 million for 3M2024 from approximately RMB198 million for 3M2023. This increase was primarily due to a 20% YoY increase in melamine sales volume. To ensure the smooth operation of the melamine production line, the Group successfully completed maintenance and repairs on some equipment in the first quarter of this year, resulting in a 19% YoY increase in production capacity recovery. At the same time, the Group further expanded into international markets, adding new overseas orders from Malaysia, Vietnam, and other countries, leading to a 39% YoY increase in export volume, driving sales growth.

The gross margin of melamine of the Group increased by approximately 5 percentage points to 43% for 3M2024 from 38% for 3M2023. With the stable and efficient operation of the production line, the low-cost advantages brought by advanced technology effectively reduced the average production cost, resulting in a 17% YoY decrease in average production costs.

DMF

Revenue derived from the sales of DMF increased by approximately RMB30 million, or 12%, to approximately RMB290 million for 3M2024 from approximately RMB260 million for 3M2023. This increase was mainly due to a 37% YoY increase in sales volume of DMF, partially offset by an 18% YoY decrease in average selling price. Affected by the decline in product prices, the profit of DMF has been compressed, and market supply has significantly decreased. Leveraging its strong production system and superior geographical location, the Group has flexibly adjusted production to meet demand, resulting in a market share exceeding 40% in the first quarter.

The gross margin of DMF increased by approximately 5 percentage points to 12% for 3M2024 from 7% for 3M2023. As the DMF production line operates steadily over a longer period, efficiency has been increased and consumption reduced, resulting in a 22% YoY decrease in average production costs.

MEDICAL INTERMEDIATE

Revenue derived from the sales of medical intermediate decreased by approximately RMB33 million, or 23%, to approximately RMB111 million for 3M2024 from approximately RMB144 million for 3M2023. This decrease was mainly due to a 35% YoY decrease in sales volume of the medical intermediate segment, partially offset by a 17% YoY increase in average selling price. To maximize profitability, the Group flexibly adjusted the product structure of this segment based on market conditions and development trends. We decisively suspended production of acrylonitrile, which had weaker profit potential at the current stage, to maximize resilience against market risks.

The gross margin of medical intermediate decreased by approximately 14 percentage points to 1% for 3M2024 from 15% for 3M2023. The bio-fermentation project in Xinjiang base, which is part of this segment, experienced unstable equipment operation during the testing phase in the third quarter of last year, leading to increased production consumption and a 37% YoY increase in average production costs. Through equipment debugging and improved management capabilities, the production consumption indicator rapidly improved, driving a 9-percentage point increase in gross margin compared to the previous quarter.

PROSPECTS

With the change of the supply and demand pattern of raw coal, the prices of raw materials are steadily rising, providing support to the prices of coal-related chemical products. As we enter the second quarter, the peak season for summer fertilisation and spring plowing approaches, releasing agricultural demand, boosting the sales of nitrogen-based fertilisers and other fertilisers, and providing support for the Group to increase its sales proportion of high-efficiency compound fertilisers. Additionally, the window of opportunity for the export of fertilisers further optimizes the supply and demand pattern of fertilisers, and facilitates stable and positive development of fertiliser prices. Regarding chemical products, with the steady recovery of the domestic economy, the real estate, new energy, chemical fiber and textile industries, which have a greater impact on the chemicals industry, are gradually rallying, and the downstream demand continues to improve, which supports the stabilization and recovery of chemical prices and it is expected that the chemical market still has more room for improvement.

According to domestic environmental requirements, as the deadline for the elimination of outdated production capacity approaches, the industrial structure will accelerate its optimization and upgrading, and the concentration of industries will continue to increase. Enterprises with advantages in resources, marketing, and technology will further enhance their leading positions in the industry. The Group has always adhered to the strategy of "low cost + differentiation", continuously strengthened the core position of high-end R&D in business operations, and strived to reduce cost and enhance efficiency through refined management and flexible production. At the same time, we are accelerating the transformation of marketing models, using big data in marketing as the starting point, focusing on large-scale farmers, and enhancing integrated service capabilities through team collaboration, in order to adapt to the future trend of land-intensive agricultural development.

In terms of project construction, based on the premise of ensuring stable cash flow, the Group will seize the period of consolidation and upgrading in the fertiliser industry to further increase market share. While expanding and extending the industrial chain and strengthening scientific research in the three major bases, the Group solidly advancing the construction of new bases. It is expected that the Phase I project of compound fertiliser in the Group's Guangxi base will be completed and put into operation by the end of this year, aiming to build it into the benchmark demonstration base for integrated fertiliser production and application along the southern coast, while laying a foundation for expanding into the Southeast Asian market.

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

25 April 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; 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*