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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 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 nine months ended 30 September 2024 (“**9M2024**”, or “**Reporting Period**”).

A. KEY FINANCIAL DATA

(I) Key Accounting Information and Financial Indicators

Items	Reporting Period (Unaudited) <i>RMB'000</i>	Change over the same period last year (%)
Revenue	17,419,724	-0.6
Net profit	2,031,307	75.8
Net profit attributable to owners of the parent company	1,534,087	80.7
Basic earnings per share (<i>RMB/share</i>)	1.26	85.3
Weighted average return on equity (%)	17.65	Decreased by 2 percentage points
Profit after deducting non-recurring gains and losses	1,564,628	15.0

For 9M2024, affected by factors such as the decline in raw material prices and the stable operation of production, gross profit of the Group increased by 5% year-on-year (“YoY”) as a result of cost reduction. Meanwhile, by strengthening cost management and control, administrative expenses and financial expenses were effectively reduced by 2% and 13% YoY respectively. In addition, in order to further optimise the allocation of resources and improve operational efficiency, the Group disposed of 100% equity interest Manas Tianxin Coal CO., LTD* (“**Tianxin Coal**”), which generated an investment gain of approximately RMB790 million. The above factors led to a significant increase in the net profit of the Group. In this regard, the Group completed a further capital contribution in its non-wholly owned subsidiaries and enlarged its shareholding to 80.18%, resulting in a significant increase in the net profit attributable to the parent company.

Items	30 September	31 December	Change
	2024	2023	
	(Unaudited)	(Audited)	
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Total assets	30,780,414	29,133,496	5.6
Owners' equity	12,501,326	10,510,998	19.0
Gearing ratio (%)	59.4	63.9	Decreased by 4.5 percentage points

In order to fulfil the needs of sustainable development, the Group has made a comprehensive plan for its project construction and has been expanding its scale of operation in an orderly manner and further enhancing its production capacity so as to strengthen its competitiveness in the market. At the same time, the Group gradually optimised its asset structure and improved asset turnover, effectively reducing the capital deployed.

Under the Group's “Double Reduction” requirement, on the basis of adjusting the ratio of short-term to long-term borrowings, optimizing the debt structure and enhancing cash flow, the Group has made reasonable capital planning to ensure a steady decline in the gearing ratio. Meanwhile, according to the terms of the Tianxin Coal Equity Transfer Agreement in relation to the payment method, as of the third quarter, the Group has already received RMB800 million for the disposal of equity interests, leading to an effective reduction in the gearing ratio. The remaining RMB574 million will be paid as specified in the agreement.

(II) Profit Level of Key Products

For 9M2024, the continuous decline in raw material prices gradually weakened the support for the prices of coal chemical related products, while the prices of the Group's key products were affected to varying degrees. However, the Group's expansion of production capacity and marketing channels supported the steady growth of product sales, especially for urea, methanol and DMF. Overall sales revenue was stable, with the fertiliser segment accounting for 60%, the chemical segment for 36%, the gas segment for 2% and medical intermediate for 2%. In addition, with the successive completion of the overhaul of production facilities, the stable operation of the production lines effectively reduced the consolidated energy consumption and improved the overall gross profit margin by 1 percentage point to 19%.

1. Changes in the prices of key products

Unit: RMB/tonne

Product name	Reporting Period	Change over the same period last year (%)	Reason(s) for change
Urea	2,029	-14%	Urea prices declined due to the decrease in raw material prices and market supply and demand.
Compound fertiliser	2,679	Flat	Despite a 16% YoY decline in raw material prices of potash, the average selling price maintained stable by increasing the sales volume of high-efficiency compound fertiliser.
Methanol	2,198	2%	Due to the recovery of the economy, demand for basic chemicals from the downstream manufacturing sector increased, supporting a stable recovery in methanol prices.
Melamine	5,833	-8%	The domestic real estate industry remained relatively weak, the international economy recovered slowly, and the weak release of downstream demand, coupled with the decline in raw material prices, led to a continuous decline in the price of melamine.
DMF	3,810	-15%	Sluggish economic cycle, lower domestic consumption levels, and weak demand for downstream leather products affected product prices.
Medical intermediate	45,106	18%	The product structure has been optimised and the proportion of sales of higher-priced products has increased, i.e. sales of cytosine increased by 12% YoY, to raise the average product price of such segment.

2. Changes in sales of key products

Unit: tonne

Name	Reporting Period	Change over the same period last year (%)	Reason(s) for change
Urea	2,768,000	33%	It was mainly due to the expansion of production capacity and the restoration of production equipment, which increased the production volume by 26% YoY.
Compound fertiliser	1,734,000	Flat	Increased promotion of high-efficiency and differentiated fertilisers, increasing the sales volume by 2 percentage points YoY.
Methanol	860,000	17%	Based on market demand and industry trends, the Group applied flexible adjustments to regulate the production capacity of methanol and dimethyl ether in a reasonable manner, which increased the production volume of methanol by 32% YoY, driving an increase in sales.
Melamine	97,000	9%	The production volume increased by 17% due to successful completion of the maintenance and repair of the production lines and recovery of production capacity. Meanwhile, we explored the international market and received additional orders from overseas, such as Turkey, leading to a 25% YoY increase in export volume.
DMF	231,000	33%	Through technical transformation and QC research, the production equipment has operated stably, extended the operating cycle, and effectively increased production volume by 28% YoY.
Medical intermediate	8,000	-33%	Due to market demand and product profitability, production of marginalized product like ABL has been proactively reduced, which saw a YoY production decrease of 36%.

3. Changes in gross profit margin of key products

Unit: %

Name	Reporting Period	Change over the same period last year	Reason(s) for change
Urea	30	Flat	–
Compound fertiliser	17	Increased by 5 percentage points	The proportion of sales volume of high-efficiency compound fertilisers was increased to improve profit margins, especially so for the high-efficiency water-soluble fertilisers at the Xinjiang base, leading to the increase in sales volume by 11% YoY and increase in gross profit margins by 7 percentage points, effectively boosting overall gross profit margins.
Methanol	8	Increased by 8 percentage points	Continuous technological innovation and optimisation of the distillation equipment have been carried out to increase production capacity while reducing steam consumption, which effectively reduced cost by 6%.
Melamine	30	Decreased by 4 percentage points	Lower selling prices led to the YoY decrease in the gross margin of Melamine.
DMF	10	Decreased by 4 percentage points	It was mainly driven by a significant decrease in selling prices, which was partially offset by a cost reduction of 11%.
Medical intermediate	-3	Decreased by 13 percentage points	Due to the immature technology of the bio-fermentation project at the Xinjiang base, individual data exceeded standards, resulting in an increase in energy consumption, which affected the average cost to increase by 36% YoY.

B. PROJECT CONSTRUCTION PROGRESS

Project name	Location	Project progress	Key products and production volume	Strategic direction
Xinjiang Polyformaldehyde Project	Mansa, Xinjiang	The conditions for trial production have been fulfilled. It is expected to finish the construction by the end of the year	60,000 tonnes of polyformaldehyde	Dedicated to becoming the first brand of local fertiliser in Northwest China, adhering to the development direction led by the coal chemical industry, actively extending the industrial chain, and striving to build the Circular Economy Industrial Park
Industrial Chain Extension Project (Phase I)	Jiujiang, Jiangxi	The project is progressing as planned, with all formalities completed and construction progress in line with expectations . It is expected to be put into operation in the third quarter of 2025	600,000 tonnes of synthetic ammonia 1.2 million tonnes of slow and controlled-release fertilisers	Building a modernised riverside chemical demonstration zone and further increasing the market share of existing products, to achieve high-quality development
Zhundong Project (Phase I)	Zhundong, Xinjiang	The project is progressing smoothly, with all formalities completed. It is expected to be put into operation in the fourth quarter of 2026	320,000 tonnes of melamine 500,000 tonnes of compound fertilisers	Strengthening cost advantages and fully utilising the Company's technological and market advantages in melamine products to support the Company's strategic target

Project name	Location	Project progress	Key products and production volume	Strategic direction
Guangxi Base Project (Phase I)	Guigang, Guangxi	The project is progressing in an orderly manner based on the plan, and has entered procurement stage for long-term equipment	1.2 million tonnes of synthetic ammonia 650,000 tonnes of urea 950,000 tonnes of high-efficiency nitrogen fertilisers 1 million high-efficiency compound fertilisers and water-soluble fertilisers	Creating the most competitive demonstration base for fertilisers and chemicals along the Southeast coast

C. OUTLOOK AND PROSPECTS

In the fourth quarter, as peak demand season arrived, and driven by favourable macroeconomic policies, raw coal prices are expected to stabilise and rebound, providing effective support for stabilising fertiliser prices. Additionally, due to winter environmental protection and the peak regulation and supply protection policies, outdated production capacity will be significantly curtailed, and gas-based facilities will be forced to reduce production, leading to a phased decrease in nitrogen fertiliser supply. In terms of demand, winter reserves of fertilisers and purchases for building inventory during off-seasons will result in seasonal fluctuations in the demand for compound fertilisers. Meanwhile, as the positive trend of economic recovery continues to strengthen, the demand for industrial urea will maintain steady growth. Therefore, under the expectation of demand release and supply contraction, fertiliser prices will gradually stabilise, leading to an overall improvement in market performance.

In the long run, the domestic economy will maintain stable growth. Although the growth rate is gradually slowing, fertilisers, due to its rigid demand, still offer ample opportunities for growth in terms of product differentiation. The Group aims to achieve sustainable development by promoting a green and low-carbon transformation. On one hand, it will optimise the product structure and vigorously develop green and efficient fertilisers, improving fertiliser efficiency while lowering carbon emissions; on the other hand, the Group will fully leverage the advantages of its R&D platforms such as its national-level technology research centre, postdoctoral research workstation, etc., to enhance process upgrades and technical improvements, focusing on energy conservation and carbon reduction from the source, and improving resource utilisation efficiency.

With the orderly progress of the projects under construction, the Group will focus its resources on accelerating the development of the bases and achieving the national strategic layout. By then, the advantages of the main fertiliser business will be more prominent, enhancing production capacity and brand influence significantly. Furthermore, extending the industrial chain will lead to a more reasonable product structure, cater to the market demand for high-value-added products, and support the Group's gradual transformation to the strategic goal of "dual strengths in fertilisers and chemicals," thereby promoting the Group's high-quality and sustainable development.

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

30 October 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*