



扫一扫 加入我们吧!

**Press Release**

*(For immediate release)*

## **China XLX's Profit for 9M 2018 Surges 112% Y-o-Y**

### ***Product Diversification Strategy Giving the Group Greater Capability to Adjust Product Mix***

Results highlights for the first three quarters of 2018:

- The consolidated net profit surged by 112% year-on-year to approximately RMB 552 million.
- The consolidated revenue increased by 30% year-on-year to approximately RMB 7.083 billion.
- Product diversification strategy was further pursued to enhance the Group's capability to adjust its product mix.

(18 November 2018, Hong Kong) **China XLX Fertiliser Ltd.** ("China XLX" or the "Company", together with its subsidiaries collectively known as the "Group") (HKEx: 01866.HK) is pleased to announce that its consolidated net profit for the nine months ended 30 September 2018 (the "Period") soared by 112% year-on-year to approximately RMB 552 million. Whereof its consolidated net profit for the third quarter surged by 158% year-on-year to approximately RMB 191 million.

Underpinned by its vigorous efforts to improve product structure, an upswing in international urea prices and higher contribution from high-efficiency fertilizers to total sales, the Group recorded consolidated revenue of approximately RMB 7.083 billion in the first three quarters of 2018, up 30% over the same period last year.

During the Period, the Group stepped up efforts to implement product diversification strategy. The first production line of dimethyl ether ("DME") ran smoothly after commencement of operation in the fourth quarter of last year. Besides, the second DME production line and the second melamine production line were put into operation in July this year. As a result, the Group's product portfolio was further enriched, thus enabling it to adjust products mix according to the profitability of different products.

**Mr. Liu Xingxu, Chairman of China XLX**, said, "During the period under review, more outdated production capacity was eliminated amid stricter environmental regulations in China. The urea supply glut was therefore mitigated. On the other hand, the urea demand in emerging markets such as India remained fierce, leading to higher international urea prices. The Group reinforced marketing efforts to promote high-efficiency fertilizers so as to firmly grasp opportunities arising in the market. Its operations maintained strong growth momentum in the period."



扫一扫 加入我们吧!

In view of higher profit margin of urea, the Group reduced liquid ammonia sales to external customers and boosted urea production and sales during the Period. In the first three quarters of 2018, the revenue from urea sales increased by 34% year-on-year to approximately RMB 2.707 billion. As the average selling price of urea products increased by nearly 30% from a year ago, the average gross profit margin of urea products advanced from 18% in the first three quarter of last year to 29% in the Period.

During the Period, the revenue from compound fertilizers increased by 24% year-on-year to approximately RMB 2.228 billion resulting from the expansion of the Group's sales network. However, the average gross profit margin of compound fertilizers decreased from 14.8% in the same period last year to 13.4% in the Period due to the spike in feedstock costs.

While the profit margin of DME was 9 percentage points higher than that of methanol, the Group decided to further process a portion of its methanol products into DME products during the Period. Therefore, the revenue from methanol dropped by 36% year-on-year to approximately RMB 340 million, while the revenue from DME increased to approximately RMB 775 million. This clearly manifested that the Group had great flexibility to adjust its product structure.

With the second melamine production line in Xinjiang put into operation in July this year, the profitability of the Xinjiang Production Base was further enhanced with greater flexibility to adjust its product mix. In the first three quarters of 2018, the revenue from melamine amounted to approximately RMB 365 million, representing an increase of 32% year-on-year; while the gross profit margin of melamine increased by 3.7 percentage points year-on-year to 53.8%.

During the Period, the revenue from furfuryl alcohol expanded by 39% year-on-year to approximately RMB 411 million. Despite the average selling price of furfuryl alcohol increased by 8% year-on-year due to lower market supply, the average gross profit margin of furfuryl alcohol contracted by 1.9 percentage points year-on-year to 9.1% owing to a 10% increase in average selling costs in the Period.

Looking forward, **Mr. Liu Xingxu** commented, "Given the upcoming winter storage of fertilizers and the low utilization rate of production facilities in the market, the urea supply-demand balance will remain tight. The Group will continue to exert its cost leadership and diversified product portfolio to implement product differentiation strategy, thereby further boosting the revenue contribution from high-efficiency fertilizers and enhancing the profitability and competitiveness of its fertilizer products."

**Mr. Liu Xingxu** added, "The second phase of the melamine production line in Xinjiang was put into operation, and the coal mines nearby was upgraded. These will allow the Group to take advantage of its own coal gasification production technology to enrich the mix of its coal chemical products. Moreover, it can flexibly adjust the product mix according to the profitability of different fertilizer and chemical products. As a result, the Group can enhance its



扫一扫 加入我们吧!

profitability and risk management capabilities, hence creating greater returns for its shareholders.”

~ End ~

#### **About China XLX Fertiliser Ltd.**

China XLX Fertiliser Ltd., one of the largest and most cost efficient coal-based urea producers in China, is mainly engaged in the production and sale of urea, compound fertilizers and methanol. Its annual production capacity reaches 2.3 million tons of urea, 2.35 million tons of compound fertilizers, 600,000 tons of methanol, 120,000 tons of melamine, 400,000 tons of dimethyl ether and 50,000 tons of furfuryl alcohol, respectively. The Company's shares are traded on the main board of the Stock Exchange of Hong Kong Limited (stock code: 01866.HK)

#### **Investor and Media Enquiries**

China XLX Fertiliser Ltd.

Zhu Weiwei

Tel: 86-138 4939 1363

Email:

[weiwei.zhu@chinaxlx.com.hk](mailto:weiwei.zhu@chinaxlx.com.hk)

PRChina Limited

David Shiu / Timothy Xu / Nicole Lau

Tel: 852-2522 1368 / 852-2522 1838

Email: [dshui@prchina.com.hk](mailto:dshui@prchina.com.hk)

[txu@prchina.com.hk](mailto:txu@prchina.com.hk)

[nlau@prchina.com.hk](mailto:nlau@prchina.com.hk)