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Press Release
(For immediate release)

China XLX's Profit Attributable to Owners for 2018 Surges 57% Y-o-Y

*Higher Sales Contribution from High-margin Products
With Enhanced Capability to Adjust Product Mix*

2018 Annual Results Highlights:

- The revenue for the Period increased by 22% to approximately RMB9,195 million.
- The profit attributable to owners of the parent surged by 57% year-on-year to approximately RMB625 million.
- Underpinned by higher gross profit margin of urea and the Group's greater flexibility to adjust product mix after the commencement of operation of melamine and DME production facilities, the overall gross profit margin grew 3 percentage points year-on-year to approximately 24%.
- The board of directors recommended paying a final dividend of RMB10 fen per share, with total dividend for the year amounted to RMB10 fen per share.

(26 March 2019, Hong Kong) **China XLX Fertiliser Ltd.** ("China XLX" or the "Company", together with its subsidiaries collectively known as the "Group") (HKSE: 01866.HK) is pleased to announce that the profit attributable to owners of the parent for the twelve months ended 31 December 2018 (the "Period") amounted to approximately RMB625 million, up 57% from a year ago. The board of directors recommended paying a final dividend of RMB10 fen per share, with total dividend for the year amounted to RMB10 fen per share.

Underpinned by increased sales volume of compound fertilizers, dimethyl ether ("DME") and melamine coupled with higher average selling prices of urea, compound fertilizers and melamine, the Group achieved revenue of RMB9,195 million in 2018, up 22% year-on-year. Its overall gross profit margin grew 3 percentage points year-on-year to approximately 24%, mainly attributable to higher gross profit margin of urea, as well as the Group's greater flexibility to adjust product mix after the commencement of operation of melamine and DME production facilities.

Mr. Liu Xingxu, Chairman of China XLX, said, "While the supply-side structural reform was further promoted in conjunction with accelerated elimination of obsolete capacity and product structure adjustment, the development quality of this sector remarkably improved. During the period, the Group actively pursued the established strategy and further enhanced our capability to adjust the product mix. As a result, the proportion of high-margin product sales to total revenue climbed further, leading to the enhancement of our profitability."

Increased contribution of high-margin products to total revenue

During the Period, the Group achieved satisfactory sales performance in all major products. Urea sales grew by 24% year-on-year to approximately RMB 3,549 million, mainly due to increased sales volume of high-efficiency urea and a 26% year-on-year growth of average urea selling price resulting from market consolidation and tighter environmental regulation. The gross profit margin of urea climbed 8 percentage points to 31% from a year ago.

Compound fertilizer sales advanced by 24% year-on-year to approximately RMB2,807 million, mainly attributable to the Group's efforts to expand marketing network and production capacity, an 12% year-on-year growth in sales volume to 1,396,000 tons and a 10% increase in average selling price. The gross profit margin of compound fertilizers for the Period was 15% and stayed flat when compared with the previous year.

While the Group boosted the production of high-margin DME products in the Period, the sales volume of methanol, a feedstock for DME production, decreased by 55% year-on-year and its sales dropped by 48% year-on-year to approximately RMB357 million. On the other hand, the sales volume of DME surged by 346% year-on-year to 314,000 tons and its sale jumped by 326% year-on-year to approximately RMB1,142 million. The gross profit margin of DME dropped by 7 percentage points year-on-year to 24% mainly due to lower average selling price and higher average selling cost. As the Group not only consumed its own methanol in DME production, but also procured methanol from the third parties in order to maximize the DME capacity utilization, the average selling cost of DME was thus driven up. Meanwhile, the gross profit margin of methanol dropped by 4 percentage points year-on-year to 15% mainly due to higher coal costs.

As the second phase of melamine production facility in Xinjiang commenced operation in July last year, the Group's annual melamine production capacity expanded by 100% to 120,000 tons. The sales volume of melamine for the Period grew by 30% year-on-year to 82,000 tons and its sales grew by 47% year-on-year to approximately RMB561 million. Because of higher feedstock cost coupled with the expansion of the second phase of melamine facility, the gross profit margin of melamine slightly declined by 4 percentage points year-on-year to 52%. Despite the decline, it still stayed at a high level of more than 50%.

The sales of furfuryl alcohol for the Period increased by 13% year-on-year to approximately RMB522 million on higher sale volume. Nevertheless, its gross profit margin slightly dropped by 1 percentage points to 8% as a result of lower average selling price.

The Group retained a sound financial position. As at 31 December 2018, its net assets amounted to approximately RMB4,913 million, up 34.6% from the year end of 2017. Its gearing ratio was 67.27%, down 4.07 percentage points from the year end of 2017 and remaining in the manageable range set by the management.

Looking ahead, **Mr. Liu Xingxu** commented, "After two years of capacity adjustment, the supply glut problem in urea industry was mitigated. However, the market environment for this year is still clouded with various challenges. The central government puts forth a new target in the No.1 Document that domestic fertilizer and pesticide consumption has to be cut going forward. This will create new challenges along with opportunities for the industry. And the market transformation and upgrading are expected to gather momentum. The Group will adhere to established strategy, enhance our capability to adjust product mix and strengthen our risk management capability. After the commencement of operation of Xinjiang Production Base, our cost leadership will be reinforced, and the production volumes, quality, selling prices and exports of our products are expected to be enhanced, which lay a solid foundation for our further expansion."

~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, 2.45 million tons of compound fertilizers, 500,000 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

PRChina Limited

David Shiu / Aggie Fang / Doris Au-Yeung

Tel: 852-2522 1368 / 852-2522 1838

Email: dshiu@prchina.com.hk

afang@prchina.com.hk

dauyeung@prchina.com.hk