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Press Release
(For immediate release)

China XLX Announces 2023 Interim Results

Enhanced risk management to secure sustainable high-quality growth

2023 Interim Results Highlights:

- Revenue slightly decreased by 1% YoY to approximately RMB12.059 billion.
- Profit attributable to owners of the parent decreased by 43% YoY to approximately RMB546 million.
- The Group achieved the “double reduction” targets, ensured the alignment of funding needs with cash flow, and improved the energy efficiency of existing projects.

(20 August 2023, Hong Kong) **China XLX Fertiliser Ltd.** (“China XLX” or the “Company”, together with its subsidiaries collectively known as the “Group”) (HKSE: 01866.HK) announced that the Group’s revenue for the six months ended 30 June 2023 (the “Period”) slightly decreased by 1% YoY to approximately RMB12.059 billion. Profit attributable to owners of the parent amounted to approximately RMB546 million, down 43% YoY. Earnings per share were RMB 44.8 cents, down 43% from a year ago.

During the Period, the fertiliser market turned soft with the product prices came under pressure and retreated amid declining coal prices. Meanwhile, the chemical product market remained in the doldrums and the recovery of downstream demand fell short of expectations, resulting in continued weakness in chemical product prices. The Group’s results were thus adversely affected.

Revenue derived from the sales of urea increased by 2% YoY to approximately RMB3.518 billion, mainly because the Jiujiang Base resumed production after an overhaul, leading to 4% YoY increase in output and 13% increase in sales volume. Gross profit margin of urea sales decreased by approximately 6 percentage points YoY to 29%, mainly due to the fact that the average selling prices of urea dropped 10% YoY and decreased at a faster pace than the average cost. Revenue derived from the sales of urea solution for vehicles dropped by 22% YoY to approximately RMB225 million, mainly due to lower average selling price and sales volume. Nevertheless, gross profit margin of urea solution for vehicles stayed flat at 24% when compared to the same period last year as the Group proactively optimized the order structure.

Revenue derived from the sales of compound fertilisers decreased by 15% YoY to approximately RMB3.208 billion, mainly due to the decrease in sales volume and average selling price by approximately 5% and 10% YoY, respectively. Gross profit margin of compound fertilisers decreased by approximately 4 percentage points YoY to 12% on lower average selling price. In the face of changing market, the Group further optimised the marketing model, stepped up efforts to drive digital and intelligent transformation and business upgrade, built an intelligent fertiliser distribution and marketing service center, and realised the terminal intelligent fertiliser distribution center by purchasing differentiated fertilisers from the Group. Therefore, this marketing model partially replaced the sales of compound fertiliser products.

As for the chemical products, revenue derived from the sales of methanol decreased by 16% YoY to approximately RMB977 million, mainly due to the decrease in average selling price and sales volume by 9% and 8% YoY, respectively. The lackluster methanol market coupled with falling coal price



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weighed on the methanol price in the period. In order to address the market risks and alleviate the adverse impact of weak demand, the Group minimized the production of self-produced methanol to ensure the maximization of marginal benefits. Besides, it persistently improved the self-conversion and internal consumption capacity of methanol and adjusted the product structure through flexible adjustment and product chain extension. As a result, the marginal profit contribution of methanol reached 13%.

Revenue derived from the sale of melamine dropped by 30% YoY to approximately RMB412 million mainly due to a relatively substantial decrease in the average selling price, which was partially offset by higher sales volume. Melamine demand was weak in the first half amid a slow recovery of domestic economy, leading to the continuous decline of domestic melamine prices. Meanwhile, the geopolitical tensions around the world along with high inflations in overseas markets dragged on the overseas demand, resulting in lower international prices of melamine.

Revenue from the sale of liquid ammonia grew by 20% YoY to approximately RMB1.117 billion, mainly due to higher sales derived from newly-added production capacity brought by the successful commissioning of the synthetic ammonia project in the Xinxiang Base with annual capacity of 600,000 tons. Revenue from the sale of medical intermediate products surged by 35% YoY to approximately RMB299 million, thanks to higher sales volume resulting from the optimization of the Group's product structure, the enhancement of its flexible adjustment capabilities and the gradual release of new production capacity. The DMF project put into operation in the second half of last year produced satisfactory performance. The sales revenue of DMF for the first half of this year amounted to RMB523 million, with its sales volume exceeded 114,000 tons.

During the Period, the Group achieved the “double reduction” targets (reduction in gearing ratio and interest-bearing borrowings). Going forward, it will ensure that the Group's funding needs are in alignment with its cash flow and meet its “double reduction” requirements. It will scientifically manage the investment timing and structure and allocate project funding rationally.

Looking ahead to the second half of this year, **Mr. Liu Xingxu, Chairman of China XLX**, commented, “The fertiliser prices are expected to go up amid the recovery in energy prices and rising global food prices. In addition, the announcement of favorable export policies is believed to stimulate an increase in export volume and to provide strong support for the fertiliser prices. At the same time, as domestic economy continues to recover, it is expected that the sentiment of chemical product market will improve.”

As for the Group's project development, its urea project in the Xinxiang Base with an annual production capacity of 700,000 tons is slated to be completed and put into operation in the fourth quarter of this year. The Phase I of the one-million-ton ecological fertiliser project in the Liaoning Huludao Base is under construction in an orderly manner and is expected to be completed and put into operation by the end of this year. While further tapping the resource potential of existing production bases and improving energy efficiency of existing projects, the Group will seize development opportunities and integrate resources to expand the layout of new bases and achieve large-scale and effective growth.

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About China XLX Fertiliser Ltd.

China XLX Fertiliser Ltd. is one of the largest and most cost-efficient coal-based urea producers in China. It is principally engaged in developing, manufacturing and selling of urea, compound fertiliser,



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methanol, dimethyl ether, melamine, furfuryl alcohol, furfural, 2-methylfuran, pharmaceutical intermediates and related differentiated products. The Group adheres to the development strategy of “maintaining overall cost leadership and creating competitive differentiation” while strengthening the core fertiliser operations. With support of the resources in Xinxiang, Xinjiang and Jiangxi, it extends the value chain to upstream new energy and new materials and diversifies into coal chemical related products. The Company’s shares (stock code: 01866.HK) are traded on the main board of the Hong Kong Stock Exchange.

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