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Press Release

(For immediate release)

China XLX Announces 2023 Annual Results

Enhanced risk management to ensure sustainable high-quality growth

2023 Annual Results Highlights:

- The Group's revenue increased by 2% YoY to approximately RMB 23.475 billion;
- Profit attributable to owners of the parent decreased by 11% YoY to approximately RMB 1.187 billion;
- The Board of Directors proposed the payment of a final dividend of RMB 24 cents per share;
- The Group further enhanced risk management with the gearing ratio reducing to 70.59% and finance costs dropping by 12% YoY.

(10 March 2024, 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 twelve months ended 31 December 2023 (the "Period") increased by 2% YoY to approximately RMB 23.475 billion. Profit attributable to owners of the parent amounted to approximately RMB 1.187 billion, down by 11% YoY. The Board of Directors proposed the payment of a final dividend of RMB 24 cents per share.

During the Period, the global economic recovery was muted. The severe supply and demand imbalance resulted in wide fluctuations in international energy and food prices, frequent swings in fertiliser prices and declines in the prices of the Group's coal chemical-related products from the previous year. In the face of difficult operating environment, the Group made relentless efforts to overcome problems. With high-quality new production facilities coming on stream, the Group not only enhanced its supply capacity and product sales, but also reinforced its market leadership in energy-efficiency. These initiatives ensured that the Group achieved stable revenue growth in tandem with the completion of planned maintenance.

Revenue from the sale of the Group's core finished urea products amounted to approximately RMB 6.874 billion, up 1% YoY. Underpinned by full commissioning of the new production facility at Xinxiang Production Base with annual capacity of 700,000 tons, the sales volume of finished urea products grew by 9% YoY, which was partially offset by a 7% YoY decline in average selling price. During the Period, the Group actively expanded international trade business and successfully penetrated into the overseas markets such as Brazil and India, leading to a substantial growth of 112% YoY in urea export volume. Meanwhile, thanks to a 9% YoY decrease in average sales cost, the gross profit margin of urea products grew by 1 percentage point YoY to 29%.

As for compound fertiliser operation, the Group took advantage of its multiple production bases, focused on the core areas surrounding each base, strengthened channel and brand building, cultivated and expanded traditional channels to support the sales growth of compound fertilisers. Revenue from the sale of compound fertiliser for the Period was approximately RMB 6.13 billion, up 0.2% YoY mainly due to 16% YoY growth in sales volume (sales volume of high-efficiency compound fertilisers grew by 25% YoY). Gross profit margin of compound fertilisers remained stable at approximately 13%, staying flat when compared to 2022.



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Revenue from the sale of methanol increased by 2% YoY to approximately RMB2.339 billion for the Period. The increase was mainly attributable to 9% YoY growth in sales volume of methanol and 6% YoY decline in average selling price. In order to maximize the marginal benefits, the Group extended the industrial chain to downstream fine chemicals such as DMF and dimethyl ether (DME) to increase the internal consumption of methanol. Besides, it flexibly adjusted the methanol/ammonia production ratio to reduce the output of self-produced methanol.

As the Group flexibly adjusted the methanol production facility by boosting the production of liquid ammonia with higher profit margin, revenue from the sale of liquid ammonia grew by 3% YoY to approximately RMB 2.091 billion. Benefiting from the concentration of major downstream consumer markets in Eastern China, the sales volume of DMF exceeded 231,000 tons for the Period. Revenue from the sale of DMF reached approximately RMB 1.047 billion on the back of the Group's enhanced efforts to expand into international markets.

Revenue from the sale of melamine decreased by 19% YoY to approximately RMB 784 million mainly due to 22% YoY decrease in average selling price, which was partially offset by higher sales volume. Revenue from the sale of urea solution for vehicles dropped by 20% YoY to approximately RMB 434 million as the average selling price and sales volume reduced by 9% YoY and 12% YoY, respectively. Revenue from the sale of medical intermediate increased by 40% to approximately RMB 616 million as the average selling price and sales volume increased by 14% and 23% YoY, respectively.

In the face of tough operating environment, the Group has made continuing efforts to enhance risk management. Taking into account the decreasing interest rates, it proactively replaced the high-interest loans with lower-interest loans, whereby effectively reducing the finance costs. While the amount of interest-bearing borrowings and loans dropped from the previous year (bank loans payable within one year or on demand decreased by nearly 18% from a year ago), the Group's finance costs came down by 12% YoY and the gearing ratio dropped from 72.02% as at the end of 2022 to 70.59% as at the end of last year.

Looking ahead into the future, **Mr. Liu Xingxu, Chairman of China XLX**, said, "As international energy supply tends to stabilize, the support from feedstock costs is diminishing and the fertiliser prices are expected to move within a narrow range. Nevertheless, in light of the government's stepped up efforts to ensure food security coupled with a pickup in domestic economy, the agricultural demand remains rigid and the demand from industrial sector is poised to mildly increase. They provide a strong support to fertiliser prices. Meanwhile, the outlook for chemicals market turns brisk amid growing expectation of economic recovery. While the demand for high-efficiency fertilisers is expected to grow further, the Group as an advocate of high-efficiency fertilizers in China will further enhance the R&D efforts in product development, strengthen the brand competitiveness and increase its market share."

As for the Group's project development, the polyformaldehyde project at the Xinjiang Production Base and the first phase of the compound fertilizer project in Guangxi are expected to be completed and put into production in the fourth quarter of this year. The Group's strategy of "developing dual fertiliser and chemical products based on fertiliser business" will thus be further strengthened. As to the fertiliser business, the Group will attach great importance to the development of production bases, economies of scale and high-end products. Meanwhile, it will upgrade the industrial chain of chemicals business with an emphasis on fine and differentiated products. These initiatives will enable the Group to pursue high-quality development of both fertiliser and chemical operations. At the same time, it will strike a balance between risks and opportunities, and between development and



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shareholders' returns. While stressing the importance of operating cashflow, the Group will make investment decisions in accordance with its strategic planning and optimize the asset allocation to ensure its stable and sustainable 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, 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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