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 THREE MONTHS ENDED 31 MARCH 2025

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 three months ended 31 March 2025 ("**3M2025**", or "**Reporting Period**").

In the first quarter of 2025, the fertiliser market was trending "initially declining before rebounding". From January to February, market supply-demand imbalance led to continued price weakness in coal chemical-related products that the prices of the Group's urea, melamine and DMF products remained under downward pressure. Entering March, urea prices rebounded rapidly driven by seasonal spring demand and strengthened export expectations, leading to a significant rebound in the prices of downstream products with urea as raw material. Despite that the overall gross profit margin of the Group in the first quarter decreased by 4 percentage points for the three months ended 31 March 2025 vs the three months ended 31 March 2024, year-on-year ("**YoY**"), it increased by approximately 3 percentage points for the three months ended 31 March 2025 vs the three months ended 31 December 2024, quarter-on-quarter ("**QoQ**") to 14%, indicating an incremental recovery trend. In addition, with the release of agricultural demand, accompanied by the launch of new compound fertiliser production capacity, the Group's core product sales increased to maintain stable revenue growth, with the Group's revenue for the first quarter increasing by 1.7% YoY and 2.4% QoQ.

At the same time, the Group continued to strengthen its expense control. After excluding the impact of non-recurring transactions, the proportion of the three major expenses decreased by approximately 1 percentage point YoY in total. In particular, finance costs decreased by 9% YoY. The Group made full use of the window of interest rate cuts to effectively drive down the average borrowing rate by 0.7 percentage points YoY by replacing high-interest loans in advance, enhancing working capital efficiency while further consolidating the room for profit improvement.

A. KEY FINANCIAL DATA AND PERFORMANCE INDICATORS

	Notes	**Reporting Period (Unaudited)** *RMB'000*	Same period last year (Unaudited) *RMB'000*
Revenue		**5,845,825**	5,749,568
Net profit		**249,372**	383,487
Net profit after deducting non-recurring gains and losses	1	**266,799**	383,487
Net profit attributable to owners of the parent company		**197,524**	282,300
Basic earnings per share (RMB cent/share)	2	**16.3**	23.2
Diluted earning per share (RMB cent/share)	2	**15.8**	23.2

Due to the decline in the price of raw material coal, the support for the price of urea was weakened, and its selling price decreased more than its cost, resulting in a decline in the gross profit of the Group's products such as urea and urea solution for vehicle. Therefore, overall gross profit decreased by 23% YoY. After excluding non-recurring items, the Group's net profit, fell by 30% YoY. However, with the improvement in the supply and demand conditions of fertilisers, the prices of various products gradually improved, which quickly lifted gross profit by 26% QoQ and drove a sharp increase in net profit by 89% QoQ. The Group's operation maintained a stable upward development trend.

	End of the Reporting Period (Unaudited) *RMB'000*	At the beginning of the Reporting Period (Unaudited) *RMB'000*
Total assets	**33,844,128**	32,518,244
Net assets	**12,766,626**	12,521,787
Net assets attributable to the parent company	**9,172,667**	8,961,166
Gearing ratio (%)	**62.2**	61.5

As at the end of the Reporting Period, the Group's total assets amounted to approximately RMB33.8 billion, representing an increase of 4% as compared with the beginning of the period. The gradual expansion of the production capacity resulted in an increase in the fixed assets and equipment by 3% as compared with the beginning of the period. Meanwhile, with the improved efficiency of receivable turnover during the peak season, coupled with project funding, led to a significant increase of 133% in cash and cash equivalents as compared to the beginning of the period. However, the increase was partially offset by 1% and 34% decreases in inventories and other receivables from the beginning of the period, respectively. This reflected both improvement in the efficiency of inventory turnover and scheduled repayment from the disposal of the equity interest in Tianxin Coal Mine.

Meanwhile, the Group continued to optimise its debt structure and adjusted the ratio of long-term and short-term borrowings to 7:3 to further improve compatibility between debt financing and project construction. During the first quarter of 2025, the Group actively repaid borrowings due within one year, reducing short-term borrowings by 15% from the beginning of the period while effectively increasing working capital by approximately RMB1.7 billion.

B. NOTES TO FINANCIAL DATA

1. Items and amounts of non-recurring gains and losses

	Reporting Period (Unaudited) *RMB'000*	Same period last year (Unaudited) *RMB'000*
Restricted share incentive scheme	**17,750**	–

The issuance of restricted share incentive in June 2024 was the first share incentive scheme for the Group's employees since the listing of the Company in 2006. The impact on the Group's operating results is of non-recurring nature. As there are currently no new incentive plans proposed, this can be classified as a non-recurring profit and loss item.

The recipients of the incentive are the core personnel who have contributed to the Group's performance growth and development and will continue to play a key role in driving performance. Therefore, such incentive has significant importance in retaining key talent within the Group.

2. Share capital and treasury shares

	Group and Company			
	Number of ordinary shares		**Amount**	
	Throughout the Reporting Period	Same period last year	**Throughout the Reporting Period**	Same period last year
Issued and fully paid	**1,283,241,000**	1,218,763,000	**1,532,781,493**	1,457,380,426

As of the reporting date, the changes in the Group's equity as compared to the same period last year were attributable to: (1) the issuance of restricted shares which resulted in an increase in share capital by 70,790,000 shares; and (2) the completion of share buybacks and cancellation of a total of 6,312,000 shares by the Group based on the confidence in the Group's long-term development and growth potential.

Number of shares used in earnings per share calculation	**Throughout the Reporting Period**	Same period last year
Weighted average number of ordinary shares in issue	**1,212,451,000**	1,218,763,000
Effect of dilution on weighted average number of ordinary shares – the restricted share incentive scheme	**35,927,810**	–
Total	**1,248,378,810**	1,218,763,000

3. Depreciation and amortisation

	Group	
	Throughout the Reporting Period (Unaudited)	Same period last year (Unaudited)
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**429,044**	398,176
Amortisation of intangible assets	**3,295**	2,058
Amortisation of right-of-use assets	**9,021**	6,928
Amortisation of coal mining rights	**–**	939
	441,360	408,101

C. Profitability of major segments and products

In the first quarter, the Group's fertiliser segment accounted for 53%, the coal chemical segment accounted for 42% and other segments accounted for 5% of the total revenue. In terms of the revenue contribution, the fertiliser segment was still in the position of being the main business. With the growth in demand for efficient fertilisers in modern agriculture, humic acid fertilisers have been further advocated and promoted. Hence, the Group leverages its advantage in humic acid raw materials to boost sales of high-efficiency compound fertilizers, driving stable growth in compound fertilizer performance. Meanwhile, it continues to deepen research and development of humic acid raw materials, ensuring stable gross profit margins with excellent quality products. Additionally, against the backdrop of recovering downstream demand and a gradually improving supply-demand structure, methanol product revenue growth continued, effectively improving the performance of the chemicals segment.

(1) Revenue, gross profit and Gross profit margin by segment

	Sales revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*(%)*
Fertiliser segment			
Urea	1,536,758	268,982	18
Compound fertilisers	1,558,077	213,911	14
Sub-total	**3.094,835**	**482,893**	**16**
Chemicals segment			
Included: Humic acid	101,966	25,324	25
Melamine	162,746	35,720	22
DMF	286,680	44,472	16
Polyformaldehyde	76,425	11,156	15
Liquid ammonia	269,730	33,368	12
Methanol	802,968	81,310	10
Organic amine	110,469	7,466	7
Others	651,820	67,274	10
Sub-total	**2,462,804**	**306,090**	**12**
Other segments	**288,186**	**45,477**	**16**
Total	**5,845,825**	**834,460**	**14**

(2) Analysis of changes in key products

1. Changes in selling prices of key products

	Throughout the Reporting Period (tax exclusive)	Compared to the same period last year (%)	Over the previous quarter (%)
Fertiliser segment			
Urea	1,592	-23	-4

With the gradual commissioning of new production capacity in the industry, the increase in supply, coupled with declining costs, has led to YoY decrease in urea prices. However, urea prices surged in March due to the concentrated release of agricultural demand, which showed a significant trend of recovery.

Compound fertiliser	2,599	-4	9

Under the influence of geopolitical factors and insufficient resources, the prices of raw materials, primarily potash fertilisers and phosphate fertilisers, have continued to rise, increasing by 21% and 3% YoY, respectively. The combination of the spring farming season and rising costs is gradually strengthening support for compound fertiliser prices.

Chemicals segment			
Methanol	2,270	4	7

As demand in downstream sectors is gradually released, coupled with the impact of reduced output during the spring maintenance in major production areas, the supply-demand balance has shifted from a loose to a tight equilibrium, supporting a steady increase in methanol prices. Additionally, geopolitical factors and energy shortages have led to a more than 50% YoY reduction in imports from the Middle East, further improving the domestic supply-demand relationship.

Melamine	5,106	-18	-4

The slow recovery of the industries such as real estate and textile in China, weak downstream demand and weak support from raw material urea, resulting in a YoY decrease in the Group's melamine prices. However, with the increase in export demand and the stabilisation and recovery of raw material prices, melamine prices have improved significantly QoQ.

DMF	3,668	-9	-2

As the domestic economy recovered, the operating rate of DMF production facilities has rapidly risen to over 60%. However, the recovery in downstream demand has lagged, leading to an imbalance between supply and demand, coupled with increasing inventory, which has put downward pressure on selling prices. With the strengthening of raw material methanol prices and the scheduled maintenance shutdowns of certain facilities, DMF prices have shown a significant improvement QoQ.

2. *Changes in sales volume of key products*

	Throughout the Reporting Period (tonnes)	Compared to the same period last year (%)	Over the previous quarter (%)
Fertiliser segment			
Urea	965,000	Remain stable	-5

Affected by the Lunar New Year holiday in China, the number of effective sales days decreased by 18% as compared to the previous quarter, resulting in a quarter-on-quarter decline in sales volume.

Compound fertiliser	599,000	14	6

Under a new marketing model, the Group has integrated distributor resources to secure effective orders, increasing sales in Northeast China and Jiujiang by 38%. Additionally, the Guangxi base's new production capacity has been efficiently deployed, raising output by 18% YoY to meet growing demand.

Chemicals segment			
Methanol	354,000	22	-4

The Group increased its own production of methanol through flexible adjustments in line with the demand of the product chain, leading to a YoY increase in sales volume. However, QoQ sales volume declined affected by lower trade orders.

Melamine	32,000	-7	-1

By leveraging its product quality, the Group was able to enjoy preferential tariff policies. In order to provide core competitiveness for its expansion into the EU market, the Group endeavoured to adjust its domestic and overseas trade strategies and shifted towards overseas markets in a gradual manner, which effectively drove a significant QoQ improvement in sales volume.

DMF	78,000	9	-7

The Group has intensified its efforts to develop the high-end market and has established strategic partnerships with leading downstream pesticide companies by signing exclusive procurement agreements to secure its base sales volume. At the same time, it has streamlined the export chain and strived to expand its overseas markets, achieving long-term cooperation with overseas customers.

3. *Changes in gross profit margin of key products*

	Throughout the Reporting Period (%)	Compared to the same period last year (percentage point)	Over the previous quarter (percentage point)
Fertiliser segment			
Urea	18	Decreased by 13	Increased by 1

Declining urea prices led to a YoY decrease in gross margin. However, rising agricultural demand has driven a rapid recovery in urea prices, significantly improving gross margin sequentially.

Compound fertiliser	14	Remain stable	Increased by 2

Leveraging its nitrogen fertiliser expertise and pre-stocked low-cost raw materials, the Group reduced average production costs by 3% YoY. Meanwhile, as high-efficiency fertilisers have a gross profit margin that is 4 percentage points higher than that of ordinary fertilizers, the 9% YoY sales volume growth of high-efficiency fertilisers effectively boosted the overall gross profit margin.

Chemicals segment			
Methanol	10	Increased by 4	Increased by 5

As a basic chemical product, the Group continued to optimise the methanol production processing and upgrade methanol distillation equipment, achieving a reduction in steam consumption per unit of approximately 39%, which effectively lowered production costs by 1%. At the same time, the continuous rise in methanol prices has supported the increase in the gross profit margin.

Melamine	22	Decreased by 21	Decreased by 3

The gross profit margin of melamine has decreased YoY due to declining product prices and reduced sales volume. However, with an increase in export orders, melamine prices have recovered gradually, resulting in a QoQ improvement in the gross profit margin of melamine.

DMF	16	Increased by 4	Increased by 4

This was primarily influenced by a 13% reduction in costs YoY. As raw material coal prices continued to weaken, the cost of raw materials has decreased by approximately 10%. Meanwhile, through technological upgrades and improvements in heat recovery processes, steam consumption has further declined, effectively reducing production costs by approximately 4%.

D. PROJECT CONSTRUCTION PROGRESS

Name of project under development	Location	Key products and production volume	Project progress	Advantages and prospects
Industrial Chain Project (Phase I)	Jiujiang, Jiangxi	600,000 tonnes of synthetic ammonia 1.2 million tonnes of slow and controlled-release fertilisers	The project is progressing as planned and construction progress in line with expectations. It is expected to be put into operation in the third quarter of 2025	Leveraging the Jiujiang base's existing market advantage to further improve capacity utilisation rates. This will effectively enhance cash flow generation.
Zhundong Project (Phase I)	Zhundong, Xinjiang	320,000 tonnes of melamine 500,000 tonnes of high-efficiency compound fertilisers	The project is progressing as scheduled. It is expected to be put into production by the end of 2026	With abundant coal and electricity resource, raw material costs were 50% lower than in the Mainland, By deploying low-cost production capacity, the Group achieves industry-leading cost efficiency.
Guangxi Project (Phase I)	Guigang, Guangxi	1.2 million tonnes of synthetic ammonia 950,000 tonnes of high-efficiency nitrogen fertilisers 650,000 tonnes of urea 1 million tonnes of high-efficiency compound fertilisers and water soluble fertilisers	Order of long-term equipment has been completed. Engineering and construction advancing concurrently, It is expected to be put into production in the first half of 2027	The project fills new nitrogen fertiliser capacity gaps in both regions, leveraging its solid brand foundation and the advantage of Pinglu Canal to enhance transport efficiency and reduce costs, which effectively expanding Southeast Asia market layout.

In addition to the aforementioned projects under development, the Group's 60,000-tonne polyoxymethylene project at the Xinjiang base, 300,000-tonne compound fertiliser project at the Guangxi base, and 500,000-tonne nitrogen compound fertiliser project at the Xinxiang base were successfully completed and commissioned by the end of 2024, with all indicators performing well and production having reached target capacity. Currently, the new capacity has rapidly entered the market, leveraging quality advantages and brand influence, and is expected to bring new profit growth points for the Group in the second half of the year.

With the tightening of environmental policies and the accelerated adoption of high-efficiency compound fertilisers, the fertiliser industry has entered a critical consolidation phase. Capacity upgrades are expected to further accelerate industry concentration. The Group has been steadily advancing its nationwide base expansion under the "Integrated Cost Leadership and Differentiated Competition" strategy. The Group will not only make a leap forward in terms of scale, but will also continue to make efforts in cost saving and product research and development, promoting further reduction of energy consumption with more advanced production processes. It will also continue to strengthen the research and development of high-efficiency fertilisers to increase the overall gross profit margin, jointly promoting the high-quality development of the Group.

At the same time, the Group will prudently align capital expenditure with cash flow, enforce budgetary control based on input-output ratios, and arrange investments in sequence to manage financial risks as and when appropriate. Project construction will be put into operation in three phases by rolling over the cash flow contribution from the newly commissioned project to the next project under construction, so as to reduce cash flow pressure year by year. Based on the allocation proportion of capital expenditure during the construction period, the Group will increase financial reserves in 2025 to meet project construction needs, with the debt-to-asset ratio expected to rise slightly. However, by 2027, capital expenditure will significantly decrease, operating cash flow will be ample, various indicators will markedly improve, and investment and returns will enter a virtuous cycle. In addition, the Group has sufficient capital reserves for its projects and the average lending rates are lower than the benchmark interest rate. All ongoing base construction projects are supported by seven-to ten-year ultra-long-term, low-interest project loans, effectively covering construction timelines and funding requirements, thereby ensuring operational and cash flow stability.

E. OUTLOOK AND PROSPECTS

Entering the second quarter, domestic environmental policies were further strengthened that leading fertiliser enterprises, through resource consolidation, technological breakthroughs, and product upgrades, are rapidly reshaping market structure. Amid the development of large-scale land cultivation, demand for high-efficiency fertilisers, including water-soluble fertilisers, controlled-release fertilisers, and humic acid-based products, has increased, providing a market foundation for the Group to promote its high-end fertilisers. As the Group's various construction projects progress in an orderly manner, the release of new high-quality production capacity will further meet incremental market demand. Additionally, the Group will leverage policy advantages to accelerate strategies focused on technological enhancement, product functionality, formulation customization, and service differentiation, with green and high-efficiency solutions as the core focus. By upgrading its brand positioning to “China’s High-Efficiency Fertiliser Advocate,” the Group aims to promote scientific and precise fertilisation through high-efficiency fertiliser use. By establishing a network of small-scale bases, the Group delivers premium products and tailored services to enable farmers to apply fertilisers accurately. This approach aligns with modern agricultural development trends while advancing sustainable development.

Under the influence of the tariff policy, international potash fertilisers and grain prices may be expected to rise. Coupled with the domestic transformation of from crude farming to precision farming, accelerating the improvement of agricultural production efficiency and promoting the rigid demand for high-efficiency fertilisers from end-users, these have provided a good market foundation for the Group’s promotion of high-efficiency fertilisers. High-efficiency fertilisers help farmers to improve their yield and meet the requirements for high-quality development of green agriculture in an effective manner by virtue of reducing quantity applied, improving quality and increasing efficiency. The Group will further enhance its market competitiveness of high-efficiency fertilisers by ploughing into the high-end market through the modes of precision agrochemical services and field demonstration. Furthermore, the gradual liberalization of urea exports is expected to ease domestic supply-demand imbalances, further enhancing market confidence.

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

16 May 2025

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*