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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board of Directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") is pleased to announce its unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2024 ("**1H2024**" or the "**Period**") together with the comparative figures for the corresponding period of the previous year as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**12,060,957**	12,059,121
Cost of sales		**(9,705,237)**	(9,948,422)
Gross profit		**2,355,720**	2,110,699
Other income, net	*4*	**112,462**	90,114
Selling and distribution expenses		**(377,726)**	(310,645)
General and administrative expenses		**(701,849)**	(640,394)
Finance costs	*5*	**(265,997)**	(324,016)
PROFIT BEFORE TAX	*6*	**1,122,610**	925,758
Income tax expense	*7*	**(184,124)**	(148,199)
PROFIT FOR THE PERIOD		**938,486**	777,559
Profit attributable to:			
Owners of the parent		**686,996**	546,194
Non-controlling interests		**251,490**	231,365
		938,486	777,559
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic *(RMB cents per share)*	*9*	**56.4**	44.8
Diluted *(RMB cents per share)*	*9*	**56.3**	44.8

Details of the dividend paid for the Period are disclosed in note 8 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024 (Unaudited) *RMB'000***	31 December 2023 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	**21,908,326**	20,236,061
Goodwill		**67,578**	63,022
Coal mining rights	*16*	**232,447**	232,447
Equity investment at fair value through profit or loss	*10*	**6,708**	29,638
Deferred tax assets		**156,794**	156,794
Prepayments for purchases of plant and equipment	*12*	**777,765**	946,943
Intangible assets		**81,001**	69,710
Right-of-use-assets		**1,704,107**	1,634,832
Amounts due from related companies		**7,272**	6,190
Other assets		**35,989**	66,488
Investments in associates		**109,208**	107,983
Total non-current assets		**25,087,195**	23,550,108
CURRENT ASSETS			
Equity investments at fair value through profit or loss	*10*	**7,680**	7,843
Amounts due from related companies		**2,962**	2,285
Inventories	*13*	**1,448,014**	1,596,661
Derivative financial instruments		**1,187**	9,015
Trade and bills receivables	*14*	**1,267,685**	1,138,101
Prepayments	*12*	**606,428**	600,907
Deposits and other receivables		**205,763**	346,379
Pledged time deposits		**579,583**	676,073
Contract assets		**28,863**	25,029
Other assets		**33,600**	18,537
Cash and cash equivalents	*11*	**2,014,075**	1,162,558
Total current assets		**6,195,840**	5,583,388
Total assets		**31,283,035**	29,133,496

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
CURRENT LIABILITIES			
Amounts due to related companies		**95,388**	97,671
Trade payables	*15*	**1,768,075**	1,388,617
Bills payable		**793,289**	939,068
Contract liabilities		**980,847**	1,346,124
Accruals and other payables		**2,632,015**	2,087,375
Deferred grants		**10,526**	10,526
Interest-bearing bank and other borrowings	*17*	**5,019,617**	4,468,625
Lease liabilities		**4,069**	4,069
Other liabilities		**6,593**	6,593
Income tax payables		**165,353**	94,913
Total current liabilities		**11,475,772**	10,443,581
NET CURRENT LIABILITIES		**(5,279,932)**	(4,860,193)
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,807,263**	18,689,915
NON-CURRENT LIABILITIES			
Loan from a non-controlling interest		**50,000**	49,800
Interest-bearing bank and other borrowings	*17*	**7,193,606**	7,164,507
Deferred grants		**142,456**	122,088
Deferred tax liabilities		**149,632**	149,632
Provision for rehabilitation		**26,280**	26,280
Accruals and other payables		**390,236**	493,077
Lease liabilities		**77,689**	74,600
Other liabilities		**101,110**	98,933
Total non-current liabilities		**8,131,009**	8,178,917
Total liabilities		**19,606,781**	18,622,498
NET ASSETS		**11,676,254**	10,510,998
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,441,276**	1,457,380
Statutory reserve fund		**863,518**	863,518
Special reserve		**4,127**	4,127
Other reserve		**2,068,920**	1,984,035
Retained profits		**3,774,432**	3,378,490
		8,152,273	7,687,550
Non-controlling interests		**3,523,981**	2,823,448
Total equity		**11,676,254**	10,510,998

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

Group

	Share capital *RMB'000*	Statutory reserve fund *RMB'000*	Other reserve *RMB'000*	Special reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
(Unaudited)								
As at 1 January 2024	**1,457,380**	**863,518**	**1,984,035**	**4,127**	**3,378,490**	**7,687,550**	**2,823,448**	**10,510,998**
Profit for the period	**–**	**–**	**–**	**–**	**686,996**	**686,996**	**251,490**	**938,486**
Capital contribution from non-controlling shareholders of subsidiaries	**–**	**–**	**84,885**	**–**	**–**	**84,885**	**446,763**	**531,648**
Payment of final 2023 dividend	**–**	**–**	**–**	**–**	**(292,503)**	**(292,503)**	**–**	**(292,503)**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(127,353)**	**(127,353)**
Business combination	**–**	**–**	**–**	**–**	**–**	**–**	**131,082**	**131,082**
Repurchase of Shares	**(16,104)**	**–**	**–**	**–**	**–**	**(16,104)**	**–**	**(16,104)**
As at 30 June 2024	**1,441,276**	**863,518**	**2,068,920**	**4,127**	**3,774,432**	**8,152,273**	**3,523,981**	**11,676,254**

For the six months ended 30 June 2023

	Share capital *RMB'000*	Treasury stock *RMB'000*	Statutory reserve fund *RMB'000*	Other reserve *RMB'000*	Special reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
(Unaudited)									
As at 1 January 2023	1,493,096	–	665,869	2,013,106	4,127	2,710,005	6,886,203	2,681,625	9,567,828
Profit for the period	–	–	–	–	–	546,194	546,194	231,365	777,559
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	26,110	26,110
Payment of final 2022 dividend	–	–	–	–	–	(320,749)	(320,749)	–	(320,749)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(139,053)	(139,053)
Acquisition of non-controlling interests of subsidiaries	–	–	–	1,509	–	–	1,509	–	1,509
Repurchase of Shares	–	(35,659)	–	–	–	–	–	–	–
As at 30 June 2023	1,493,096	(35,659)	665,869	2,014,615	4,127	2,935,450	7,077,498	2,800,047	9,877,545

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 2024

1. CORPORATE INFORMATION

China XLX Fertiliser Ltd. is a limited liability company incorporated in Singapore on 17 July 2006 under the Singapore Companies Act and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The registered office of the Company is located at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619. The Group's headquarters and principal places of business are located in Xinxiang Economic Development Zone, Henan Province; Taxihe Industrial Park, Baojiadian Town, Manas County, Changji Prefecture, Xinjiang Province; and Jishan Industrial Zone, Jiujiang City, Jiangxi Province in the People's Republic of China (the "**PRC**"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are mainly the development, manufacturing, and trading of related differentiated products such as urea, urea solution for vehicle, compound fertiliser, methanol, melamine, DMF and medical intermediate.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") and International Financial Reporting Standards ("**IFRSs**"). For the purpose of SFRS(I)s, financial statements that have been prepared in accordance and complied with IFRSs are deemed to have also complied with SFRS(I)s. SFRS(I)s comprise standards and interpretations that are equivalent to IFRSs.

These financial statements have been prepared on a historical cost basis, except for equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values in the tables are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in this interim report are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Description	**Effective for annual periods beginning on or after**
Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1: *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 7: *Supplier Finance Arrangements*	1 January 2024

The directors of the Company expect that the adoption of the other standards and interpretation above will have no material impact on the financial statements in the period of initial application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group organises its into business units based on its products, and has seven reportable operating segments as follows:

1. Manufacturing and sale of urea
2. Manufacturing and sale of urea solution for vehicle
3. Manufacturing and sale of compound fertiliser
4. Manufacturing and sale of methanol
5. Manufacturing and sale of melamine
6. Manufacturing and sale of DMF
7. Manufacturing and sale of medical intermediate

Allocation basis

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly other income, other expenses, selling and distribution expenses, general and administrative expenses, finance costs and income tax expense.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

An analysis by principal activity of contribution to the results is as follows:

For the six months ended 30 June 2024

Revenue	Urea (unaudited) *RMB'000*	Urea Solution for Vehicle (unaudited) *RMB'000*	Compound Fertiliser (unaudited) *RMB'000*	Methanol (unaudited) *RMB'000*	Melamine (unaudited) *RMB'000*	DMF (unaudited) *RMB'000*	Medical Intermediate (unaudited) *RMB'000*	Others* (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Sales to external customers	3,834,000	166,095	3,410,034	1,291,472	397,466	595,295	234,089	2,132,506	12,060,957
Total revenue	3,834,000	166,095	3,410,034	1,291,472	397,466	595,295	234,089	2,132,506	12,060,957
Segment profit	1,181,231	30,017	604,853	102,136	119,114	76,639	(1,441)	243,171	2,355,720
Interest income									13,714
Unallocated expenses									(980,827)
Finance costs									(265,997)
Profit before tax									1,122,610
Income tax expense									(184,124)
Profit for the period									938,486

* Other products include chemical products such as liquid ammonia, methylamine, humic acid and furfuryl alcohol, with sales revenue of RMB668 million, RMB275 million, RMB201 million, and RMB163 million respectively.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Allocation basis *(Continued)*

For the six months ended 30 June 2023

REVENUE	Urea (unaudited) *RMB'000*	Urea Solution for Vehicle (unaudited) *RMB'000*	Compound Fertiliser (unaudited) *RMB'000*	Methanol (unaudited) *RMB'000*	Melamine (unaudited) *RMB'000*	Medical Intermediate (unaudited) *RMB'000*	Liquid Ammonia (unaudited) *RMB'000*	DMF (unaudited) *RMB'000*	Others (unaudited) *RMB'000*	Total (unaudited) *RMB'000*
Sales to external customers	3,517,515	224,653	3,207,926	976,504	412,225	299,342	1,116,838	522,595	1,781,523	12,059,121
Total revenue	3,517,515	224,653	3,207,926	976,504	412,225	299,342	1,116,838	522,595	1,781,523	12,059,121
Segment profit	1,022,566	53,702	374,616	(16,215)	147,414	46,434	226,877	55,696	199,609	2,110,699
Interest income										12,482
Unallocated expenses										(873,407)
Finance costs										(324,016)
Profit before tax										925,758
Income tax expense										(148,199)
Profit for the period										777,559

4. REVENUE AND OTHER INCOME/(EXPENSES), NET

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and other expenses is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**12,060,957**	12,059,121

4. REVENUE AND OTHER INCOME/(EXPENSES), NET *(Continued)*

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**13,714**	12,482
Net profit from sales of by-products	**47,937**	45,525
Service fee income	**5,802**	6,204
Penalty income	**1,325**	2,428
Subsidy income	**49,214**	18,434
Investment income	**1,517**	1,640
Amortisation of deferred grants	**5,714**	3,465
Others	**14,216**	17,744
	139,439	107,922
Other expenses		
Loss on disposal of items of property, plant and equipment	**(10,287)**	(1,328)
Loss on fair value change of equity investment	**(163)**	(2,509)
Donation	**(2,951)**	(784)
Loss on fair value change of derivative financial instruments	**(1,089)**	(164)
Others	**(12,487)**	(13,023)
	(26,977)	(17,808)
Other income, net	**112,462**	90,114

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans, bank overdrafts and other loans, wholly repayable within five years	**265,997**	324,016

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
		(Restated)
Cost of inventories sold	**9,705,237**	9,948,422
Depreciation of property, plant and equipment	**787,913**	732,712
Depreciation of right-of-use assets	**21,660**	16,049
Amortization of intangible assets	**8,112**	5,554
Employee benefit expenses (including directors' remuneration)		
Salaries and bonuses	**1,043,181**	909,145
Contributions to defined contribution plans	**123,645**	111,936
Benefits in kind	**54,546**	55,895
	1,221,372	1,076,976

7. INCOME TAX EXPENSE

The Company is incorporated in Singapore and is subject to an income tax rate of 17% for the six months ended 30 June 2024 (six months ended 30 June 2023: 17%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

The Company's subsidiaries in Mainland China are subject to income tax rate of 25% (2023: 25%). For the six months ended 30 June 2024, sixteen subsidiaries were given the New/High Technology Enterprise Award and this award brought these subsidiaries a tax concession of a lower income tax rate of 15%.

The major components of income tax expense for the six months ended 30 June 2024 and 2023 are:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current – PRC		
Charge for the period	**184,124**	148,199
Total tax charge for the period	**184,124**	148,199

8. DIVIDEND

Final dividend of RMB292,503,000 for the year ended 31 December 2023 (year ended 31 December 2022: RMB307,030,000) was proposed and declared during the six months ended 30 June 2024.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share is calculated by dividing the Group's profit for the Period attributable to ordinary equity holders of the Company by the weighted average number of 1,218,040,000 (six months ended 30 June 2023: 1,218,763,000) ordinary shares (inclusive of mandatorily convertible instruments issued) outstanding during the Period.

The calculation of the diluted earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

10. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	RMB'000	*RMB'000*
NON-CURRENT		
Unquoted equity investment, at fair value:		
PRC	**6,708**	6,708
Listed equity investments, at fair value:		
PRC	**–**	22,930
	6,708	29,638
CURRENT		
Listed equity investments, at fair value:		
Singapore	**2,949**	3,003
Hong Kong	**4,731**	4,840
	7,680	7,843

The above investment in equity securities have no fixed maturity or coupon rate.

11. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	RMB'000	*RMB'000*
Fixed deposits	**579,583**	676,073
Less: Pledged time deposits	**(579,583)**	(676,073)
Cash and bank balances	**2,014,075**	1,162,558
Cash and cash equivalents	**2,014,075**	1,162,558

As at 30 June 2024, the cash and bank balances of the Group denominated in RMB amounted to RMB2,014,075,000 (31 December 2023: RMB1,162,558,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with credit-worthy banks with no recent history of default.

12. PREPAYMENTS

	30 June 2024 **(Unaudited)** ***RMB'000***	31 December 2023 (Audited) *RMB'000*
NON-CURRENT		
Prepayments:		
Prepayments for purchases of property, plant and equipment	**777,765**	946,943
CURRENT		
Prepayments:		
Advanced deposits to suppliers	**606,428**	567,780
Other prepayments	**–**	33,127
	606,428	600,907

13. INVENTORIES

	30 June 2024 **(Unaudited)** ***RMB'000***	31 December 2023 (Audited) *RMB'000*
Raw materials	**579,678**	661,455
Parts and spares	**163,097**	189,954
Work-in-progress	**54,793**	77,830
Finished goods	**669,975**	677,365
Allowance of inventory obsolescence	**(19,529)**	(9,943)
	1,448,014	1,596,661

14. TRADE AND BILLS RECEIVABLES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	RMB'000	*RMB'000*
Trade receivables	**681,572**	495,910
Bills receivable	**586,113**	642,191
	1,267,685	1,138,101

Trade receivables are non-interest-bearing and are normally settled on terms of 30 to 180 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group's bills receivable are non-interest-bearing and are normally settled on terms of 90 to 180 days. Trade and bills receivables are denominated in RMB.

The Group's trading terms with its customers are mainly payment in advance or on credit for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice due date and net of provisions, is as follows:

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	RMB'000	*RMB'000*
Within 1 month	**280,584**	309,630
1 to 3 months	**255,398**	95,586
3 to 6 months	**96,189**	44,935
6 to 12 months	**49,401**	45,759
	681,572	495,910

15. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2024	31 December 2023
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Within 1 month	**297,093**	1,109,916
1 to 3 months	**1,135,381**	138,533
3 to 6 months	**124,651**	77,631
6 to 12 months	**107,408**	36,013
Over 12 months	**103,542**	27,424
	1,768,075	1,388,617

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days. Trade payables are denominated in RMB.

16. PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND COAL MINING RIGHTS

During the Period, payments for purchases of items of property, plant and equipment, land use rights and coal mining rights and proceeds from disposal of items of property, plant and equipment of the Group amounted to approximately RMB1,894,882,000 and RMB5,205,000 (six months ended 30 June 2023: RMB1,737,713,000 and RMB22,581,000), respectively.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024			31 December 2023		
	Contractual Interest rate	**Maturity**	***RMB'000*** **(Unaudited)**	Contractual Interest rate	Maturity	*RMB'000* (Audited)
Group						
Current						
Bank loans						
– secured	**4.10%**	**2025**	**773,279**	4.65%-6.00%	2024	731,400
– unsecured	**2.43%-5.0%**	**2025**	**3,958,038**	3.20%-6.24%	2024	3,357,082
Loan from leasing company/ finance lease payables	**4.75%**	**2025**	**288,300**	4.65%-6.95%	2024	380,143
			5,019,617			4,468,625
Non-current						
Bank loans						
– secured	**2.70%-6.00%**	**2026 to 2029**	**755,000**	2.70%-6.00%	2025 to 2029	1,183,370
– unsecured	**3.3%-5.4%**	**2026 to 2028**	**6,376,800**	3.30%-5.63%	2025 to 2029	5,809,990
Loan from leasing company/ finance lease payables	**4.75%**	**2025 to 2026**	**61,806**	4.65%-6.95%	2025 to 2026	171,147
			7,193,606			7,164,507
			12,213,223			11,633,132

17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,731,317**	4,088,482
In the second year	**5,116,215**	4,825,770
In the third to fifth years, inclusive	**2,015,585**	2,090,970
Beyond five years	**–**	49,620
	11,863,117	11,081,842
Finance lease payables:		
Within one year or on demand	**288,300**	380,143
In the second year	**61,806**	150,960
In the third to fifth years, inclusive	**–**	20,187
	350,106	551,290
	12,213,223	11,633,132

Note:

- The secured bank loans amounting to RMB1,528,279,000 are secured by certain of the Group's items of property, plant and equipment.

The fair values of the Group's interest-bearing bank and other borrowings approximate to their carrying values.

18. DEBT-TO-ASSET RATIO

During the Period, the Group uses the debt-to-asset ratio (total liabilities divided by total assets) to reflect its debt repayment ability. As of the first half of 2024, the Group's debt-to-asset ratio was 62.7%, a decrease of 1.3 percentage points from 64% as at 31 December 2023. The Group has continuously strengthened its production and operations, accelerated capital turnover, reduced working capital occupancy, and enhanced its asset liquidity. At the same time, through various channels and forms of financing, the Group has continued to optimize its debt structure. The debt-to-asset ratio has decreased for four consecutive years, and the financial condition has improved year by year.

19. MAJOR NON-CASH TRANSACTION – INTEREST CAPITALISATION

During the Period, the Group capitalised interest expenses of RMB4,070,000 (six months ended 30 June 2023: RMB13,322,000) to property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) BUSINESS REVIEW

In the first half of 2024, despite the concentrated release of agricultural demand, demand and supply mismatch in the fertilizer industry still exist. The price of raw materials on the supply side has fluctuated downward, weakening price support for coal chemical products, which has in turn affected the prices of the Group's fertilizer and fine chemical products. However, with the stable operation of the domestic economy, downstream demand is continuously recovering, leading to significant increases in the Group's urea, compound fertilizer, and methanol sales.

The Group's unaudited total revenue increased from approximately RMB12,059 million for the six months ended 30 June 2023 ("**1H2023**") to approximately RMB12,061 million for the first half of 2024 ("**1H2024**"), an increase of approximately RMB2 million or 0.02%. The Group has continued to optimize production processes, strictly control energy consumption indicators, and ensure stable long-term operation. Through quality improvement, cost reduction and efficiency enhancement, the Group has achieved the leading energy efficiency in synthetic ammonia production for thirteen consecutive years. With the decline in raw material costs, the overall gross profit increased by 12% year-on-year ("**YoY**"), contributing to profit growth for the Group. The Group's unaudited net profit increased from approximately RMB778 million for 1H2023 to approximately RMB938 million for 1H2024, an increase of approximately RMB160 million or 21%.

With the recovery of the chemical products market, the performance of the Group's wholly-owned subsidiaries has improved significantly. The unaudited total profit attributable to the owners of the parent company increased from approximately RMB546 million for 1H2023 to approximately RMB687 million for 1H2024, an increase of approximately RMB141 million or 26%.

Finished urea products

Revenue derived from the sales of urea increased by approximately RMB316 million or 9% from approximately RMB3,518 million for 1H2023 to approximately RMB3,834 million for 1H2024. This was mainly due to a 25% YoY increase in urea sales volume, but this was partially offset by a 13% YoY decrease in the average selling price. As production capacity was released, the output of urea increased by 24% YoY, which helped boost sales volume.

Gross profit margin of urea increased by approximately 2 percentage points from approximately 29% in 1H2023 to 31% for 1H2024, benefiting from a 15% decrease in the average sales cost of urea. On one hand, the decline in the price of coal led to a 10% YoY decrease in procurement costs. On the other hand, through the transformation and upgrade of the production lines, the production consumption indicator was effectively reduced by 6% YoY.

Urea Solution for Vehicle

Revenue derived from the sales of urea solution for vehicle decreased by approximately RMB59 million or 26% from approximately RMB225 million for 1H2023 to approximately RMB166 million for 1H2024. Its average selling price and sales volume decreased by 18% and 10% YoY respectively. With the reduction in downstream subcontracting demand from the major clients, the Group's subcontracting business has been reduced by 22%, impacting sales volume. Additionally, the support from raw material prices for the selling price of automotive urea solution has weakened, resulting in a 6 percentage point decrease in the gross profit margin of automotive urea solution, down to 18% compared to the previous year.

(I) BUSINESS REVIEW *(Continued)*

Compound Fertilisers

Revenue derived from the sales of compound fertilisers increased by approximately RMB202 million or 6% from approximately RMB3,208 million for 1H2023 to approximately RMB3,410 million for 1H2024, mainly due to a 13% YoY increase in compound fertilisers sales volume, but partially offset by a 6% YoY decrease in average selling price. The release of new production capacity at the Group's Northeast base led to a 15% YoY increase in output. At the same time, the continued optimization of the marketing model, and precise marketing strategy for each region and crop, as well as pre-orders through conference marketing, helped boost sales volume.

Gross profit margin of compound fertilisers increased by approximately 6 percentage points from approximately 12% in 1H2023 to 18% in 1H2024. With the continuous decline in international potash prices, the Group's potash procurement price decreased by 18% YoY, resulting in a 12% YoY reduction in average cost of sales. Additionally, as high-efficient compound fertilisers better meet the needs of modern agriculture, with a gross profit margin of 19%, 4 percentage points higher than ordinary fertilisers, the Group increased the proportion of high-efficiency compound fertiliser sales by 23% YoY, effectively improving the gross profit.

Methanol

Revenue derived from the sales of methanol increased by approximately RMB314 million or 32% from approximately RMB977 million for 1H2023 to approximately RMB1,291 million for 1H2024. The increase was mainly due to a 1% YoY increase and a 31% YoY increase in the average selling price and sales volume of methanol, respectively. In the first half of the year, the domestic economy has gradually recovering, which has driven increased demand for methanol in downstream industries. At the same time, our Group continued to expand its methanol trading activities and enhanced market competitiveness by providing supporting logistics services. As a result, new trade orders increased by 18% YoY.

The gross profit margin of methanol increased by 10 percentage points from negative 2% in 1H2023 to 8% in 1H2024. Affected by the decline in raw material prices, the average methanol cost of sales decreased by 9% YoY.

(I) BUSINESS REVIEW *(Continued)*

Melamine

Revenue derived from the sales of melamine decreased by approximately RMB15 million or 4% from approximately RMB412 million for 1H2023 to approximately RMB397 million for 1H2024. This was mainly due to a 6% YoY decrease in the average selling price of melamine. In the first half of the year, the domestic real estate-related industries experienced a slow recovery, with weak downstream demand. The addition of new production capacity and a rise in operating rates led to an imbalance between supply and demand, causing melamine prices to come under pressure and declined. To mitigate the adverse effects of domestic supply pressures, the Group has actively expanded into international markets, securing new overseas orders in countries such as India and Malaysia. This increase in export volume has driven a 3% YoY increase in sales volume.

The gross profit margin of melamine products decreased by 6 percentage points from 36% in 1H2023 to 30% in 1H2024. This was mainly due to the loose supply and demand situation and the weakening of raw material cost support, which resulted in a 6% YoY decrease in the average selling price of melamine.

DMF

The sales revenue of DMF increased by approximately RMB72 million or 14% from approximately RMB523 million for 1H2023 to approximately RMB595 million for 1H2024. This was mainly due to a 31% YoY increase in DMF sales volume, while the average selling price decreased by 13% YoY. Since the planned shutdown and maintenance in the first half of last year, the production equipment has maintained stable operation, effectively increasing production by 30%, driving the increase in sales volume.

The gross profit margin of DMF increased by 2 percentage points from 11% in 1H2023 to 13% in 1H2024. The increase was due to innovation of production technology and improvement of equipment, which effectively reduced the consumption of steam and electricity, and lowered the average cost by approximately 15% YoY.

(I) BUSINESS REVIEW *(Continued)*

Medical Intermediate

Revenue derived from the sales of medical intermediate segment decreased by approximately RMB65 million or 22% from approximately RMB299 million for 1H2023 to approximately RMB234 million for 1H2024. This was mainly due to a 33% YoY decrease in sales volume in this segment. The Group has optimized the product chain in this segment by focusing on core products and gradually increasing the proportion of advantageous products. It has actively eliminated products that have been marginalized by the market or are detached from the main product chain, such as acrylonitrile and chlorinated products. As a result, this segment reduced production by 37% YoY, leading to a decrease in sales volume.

The gross profit margin of the medical intermediate segment decreased by 17 percentage points from 16% in 1H2023 to negative 1% in 1H2024. To achieve upstream and downstream integration in this segment, the Xinjiang base's bio-fermentation project serves as the raw material supply base for core products. However, due to venturing into new technical domains, production fluctuations were severe, causing the average cost to increase by 38% YoY.

Other income, net

Other income, net increased by approximately RMB22 million or approximately 24% from approximately RMB90 million for 1H2023 to approximately RMB112 million for 1H2024. This was due mainly to that subsidy income increased by approximately RMB31 million YoY, which was partially offset by an increase of approximately RMB9 million YoY in losses on disposal of fixed assets.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB67 million or approximately 22% from approximately RMB311 million in 1H2023 to approximately RMB378 million in 1H2024. The increase was attributed to two main reasons. On one hand, due to a shift in marketing strategies, including the promotion of agricultural chemical value-added services and conducting business promotion and marketing activities, advertising expenses increased by approximately RMB35 million YoY. On the other hand, with the expansion of business scope and increased product sales across various bases, particularly the significant rise in compound fertilizer sales, performance commissions and incentive bonuses for sales personnel increased by approximately RMB32 million YoY.

(I) BUSINESS REVIEW *(Continued)*

General and administrative expenses

General and administrative expenses increased by approximately RMB62 million or approximately 9.7% from approximately RMB640 million for 1H2023 to approximately RMB702 million for 1H2024. The main reasons for the increase are:

1. To ensure the smooth commencement of project construction, the Group has continually strengthened talent development by offering high salaries to attract skilled professionals and provide adequate staffing for major projects in advance. Additionally, the Group has focused on enhancing the comprehensive abilities of core young executives to meet the talent needs of project construction. As a result, expenses for management salaries, training, and benefits increased by RMB20 million YoY;

2. With the expansion of the Group's development scale and the increase in business volume, various taxes and amortisation fees of land use rights increased by RMB15 million YoY;

3. To promote the Group's high-quality development, accelerate digital transformation, and further achieve technological and management innovation, the Group has hired expert teams to provide guidance and consultation, leading to a YoY increase of RMB15 million in service fees; and

4. To ensure safe and stable production operations, the Xinjiang base conducted the planned shutdown maintenance. The major repair expenses and repair expenses of management department during the shutdown increased by RMB10 million YoY.

Finance costs

Finance costs decreased by approximately RMB58 million or 18% from approximately RMB324 million for 1H2023 to approximately RMB266 million for 1H2024. Against the backdrop of a decline in the average interest rate of interest-bearing borrowings, the Group has ensured healthy cash flow while proactively repaying high-interest borrowings in advance, which effectively reduced the finance costs.

(I) BUSINESS REVIEW *(Continued)*

Income tax expense

Income tax expense increased by approximately RMB36 million or 24% from approximately RMB148 million for 1H2023 to approximately RMB184 million for 1H2024, which was mainly due to a substantial increase in the Group's profit.

Profit for the Period

Profit for the Period increased by approximately RMB160 million or 21% from approximately RMB778 million for 1H2023 to approximately RMB938 million for 1H2024. This was mainly due to an increase in gross profit and other income of approximately RMB245 million and RMB22 million, respectively, which was offset by a combined increase of approximately RMB71 million in three expenses, including selling expenses, administrative expenses and finance costs, as well as an increase of approximately RMB36 million in income tax expense.

(II) PROSPECTS

Looking ahead to the second half of the year, the domestic economy is expected to recover and improve. The supply and demand in the fertilizer industry will trend balanced, coal prices will stabilize, and nitrogen fertilizers will continue to experience stable and positive development. Compound fertilizers are expected to perform better than in the first half of the year. Additionally, national requirements for the power industry to complete urea de-sulfuration modifications by a specified deadline will significantly increase industrial demand for urea. Although there are plans to add some new production capacities on the supply side, actual operating rates and production standards may fall short of expectations. Environmental controls and winter inspections aimed at eliminating outdated production capacities will also help improve the supply-demand balance. Furthermore, adjustments in export control policies may provide potential support for domestic fertilizers. In the chemical products sector, moderate economic recovery and further relaxation of real estate policies are expected to boost industry activity, potentially enhancing the prosperity of chemicals related to the real estate chain.

Against the backdrop of accelerating agricultural productivity improvements, the Group is seizing new trends and opportunities in agricultural services. By utilizing big data and focusing on large-scale farmers, we are restructuring our sales organisation, transforming distributors into service providers. We aim to provide integrated value-added services to end farmers with a focus on "differentiated products + precise services," enhancing brand influence through team collaboration. At the same time, our Group continues to align with long-term strategic goals, focusing on core advantages and deepening core competencies. On one hand, we are further enhancing the technical transformation of existing systems to reduce consumption. On the other hand, we are building new projects with the industry's most advanced technology to maximize investment returns. To meet the needs of rapid development, we continuously optimize management models and, leveraging group control, establish an adaptable organizational structure to support the realization of development strategies and competitive strategies.

There is a downward trend in the leading products. Due to the adjustment of domestic policies, there is a significant increase in domestic volume, but it is also important to be prepared well since it will have a certain impact on the overall cash flow.

(III) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risks

- ***Market Risk***

  The major market risks of the Group include changes in the average selling prices of key products, changes in the costs of raw materials (mainly coal) and fluctuations in interest and exchange rates.

- ***Commodity Price Risk***

  The Group is also exposed to commodity price risk arising from fluctuations in product sale prices and costs of raw materials.

- ***Interest Rate Risk***

  The major market interest rate risk that the Group is exposed to the Group's long-term debt obligations which are subject to floating interest rates.

- ***Foreign Exchange Risk***

  The Group's revenue and costs are primarily denominated in RMB. Some costs may be denominated in Hong Kong dollars, United States dollars or Singapore dollars.

- ***Inflation and Currency Risk***

  According to the data released by the National Bureau of Statistics of China, the consumer price index of the PRC increased by 0.1% YoY for the six months ended 30 June 2024. Such inflation in the PRC did not have a significant impact on the Group's operating results.

(III) SUPPLEMENTARY INFORMATION *(Continued)*

1. Operational and Financial Risks *(Continued)*

- ***Liquidity Risk***

The Group monitors its risk exposure to shortage of funds. The Group considers the maturity of both its financial investments and financial assets (e.g. trade receivables and other financial assets) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 30 June 2024, approximately RMB5,020,000,000 (31 December 2023: RMB4,468,625,000), or 41.10% (31 December 2023: 38.41%) of the Group's debts will mature in less than one year based on the carrying value of the borrowings reflected in the financial statements. Currently, the Group is adjusting the loan structures and obtained sufficient long term bank credit.

- ***Gearing Risk***

The Group monitors its debt to asset ratios in order to support its business and maximise shareholders' value. The Group manages its debt to asset structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the debt to asset structure, the Group may raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital in 2024 and 2023. The gearing ratio of the Group as at 30 June 2024 (calculated as total debt divided by total assets) was 62.7%, representing a decrease of 1.3 percentage points as compared to 31 December 2023.

2. Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities (2023: Nil).

3. Material Litigation and Arbitration

As at 30 June 2024, the Group was not involved in any material litigation or arbitration (2023: Nil).

4. Audit Committee

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The interim results for the six months ended 30 June 2024 have been reviewed by the Audit Committee.

5. Compliance with the Code on Corporate Governance Practices

The Company devotes to maintaining good practice of corporate governance, and has complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the six months ended 30 June 2024.

6. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the directors of the Company. The Board confirms that, having made specific enquiries with all directors of the Company, during the six months ended 30 June 2024, all directors have complied with the required standards of the Model Code.

7. Purchase, Sales or Redemption of the Company's Securities

For the six months ended 30 June 2024, the Company repurchased 4,336,000 issued shares of the Company in total through the spot market of the SEHK at a total consideration of approximately HK$17,316,000 (excluding transaction costs), with the consideration per share ranging from HK$3.795 to HK$4.15. The shares repurchased during such period represented approximately 0.36% of the issued shares as at 30 June 2024. All shares repurchased during the reporting period have been cancelled by the Company on 18 June 2024. The repurchase of shares is based on the Company's confidence on its long-term business prospects and potential growth. At the same time, the Company believes that actively optimizing the capital structure through share repurchase will improve the earnings per share, net assets per share and overall shareholder returns. Details of the share repurchase as follows:

7. Purchase, Sales or Redemption of the Company's Securities *(Continued)*

		For the six months ended 30 June 2024		
		Purchase consideration per share		
Month of repurchase	**Number of shares repurchased**	**Highest price paid**	**Lowest price paid**	**Total Consideration paid approximately**
		HK$	*HK$*	*HK$*
May	4,336,000	4.15	3.795	17,316,000
Total	**4,336,000**			**17,316,000**

Save as disclosed above, for the six months ended 30 June 2024, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any other listed securities of the Company (including sale of treasury shares (as defined in the Listing Rules)).

During the Period, the Company did not hold any treasury shares (including any treasury shares held or deposited with the Central Clearing And Settlement System).

8. Employees and Remuneration Policy

As at 30 June 2024, there were 10,781 (31 December 2023: 10,390) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and according to sales performance, commissions and bonuses are issued to marketing personnel. Due to the decline in performance this year, the performance commissions and bonus of marketing personnel has decreased.

9. Significant Events after the Period

There were no significant events affecting the Group which have occurred since the end of the Period.

(III) SUPPLEMENTARY INFORMATION *(Continued)*

10. Disclosure on the Websites of the SEHK and the Company

This announcement is published on the website of the SEHK (http://www.hkexnews.hk) and on the website of the Company (http://www.chinaxlx.com.hk).

By Order of the Board
China XLX Fertiliser Ltd.
Yan Yunhua
Executive Director

Hong Kong, 23 August 2024

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*