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 FIRST QUARTER OF 2018

The board of directors (the "**Board**") of China XLX Fertiliser Ltd. (the "**Company**") hereby announces the unaudited first quarterly business update of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2018.

The unaudited consolidated revenue of the Group increased by approximately 22% from approximately RMB1,720 million for the three months ended 31 March 2017 ("**1Q2017**") to approximately RMB2,095 million for the three months ended 31 March 2018 ("**1Q2018**"). The unaudited consolidated net profit of the Group increased by approximately 72% to approximately RMB160 million for 1Q2018 as compared against that for 1Q2017.

The Year on Year ("**YoY**") increase in the unaudited consolidated net profit of the Group for 1Q2018 was mainly due to the increase in the average selling price of urea products of the Group by approximately 29% YoY and the increase in gross profit margin of the Group from approximately 18% for 1Q2017 to approximately 29% for 1Q2018 resulted from the improved supply and demand relationship in the urea industry as a result of the accelerated industry consolidation and the closedown of small-scale and highly pollutive manufacturers given the growing environmental protection pressure in China, and also the further increase in sales portion of high-efficiency fertilisers of the Group. In addition, the Group's product offering was enriched following the commencement of operation of its dimethyl ether production line which enables the Group to adjust its product mix according to the profitability of each product. In 1Q2018, the Group expanded its methanol product chain to produce dimethyl ether, which offset the impact on the profitability of the Company as a result of the decline in the gross profit of methanol products.

* *for identification purpose only*

Urea

Revenue derived from the sales of urea increased by approximately 26% YoY to approximately RMB834 million for 1Q2018, which was mainly due to the increase in average selling price of urea by approximately 29% YoY. The sales volume of urea decreased by approximately 2% YoY to approximately 498,000 tons for 1Q2018. Such decrease was mainly due to the increasing internal consumption of urea as a result of the increasing sale volume of high-efficiency fertilisers of the Group.

The gross profit margin for urea of the Group increased from approximately 18% for 1Q2017 to approximately 29% for 1Q2018. Such increase was mainly due to the increase in the average selling price of urea by approximately 29% YoY affected by the tightening supply resulted from growing pressure on environmental protection and industry consolidation in China. The purchase price of coal increased YoY, leading to the increase in average cost of sales of urea by approximately 11%, which partially offset the impact on the increase in gross profit margin as a result of the increase in the average selling price.

Compound fertilisers

Revenue derived from the sales of compound fertilisers increased by approximately 15% YoY to approximately RMB609 million for 1Q2018, which was mainly due to the increase in sales volume through the expansion of the sales network of the Group. The sales volume of compound fertilisers increased by approximately 16% YoY to approximately 355,000 tons for 1Q2018.

The gross profit margin for compound fertilisers of the Group decreased from approximately 14.6% for 1Q2017 to approximately 10% for 1Q2018. Such decrease was mainly due to the increase in average cost of sales by approximately 4% YoY resulted from the higher raw material prices.

Methanol

Revenue derived from the sales of methanol decreased by approximately 24% YoY to approximately RMB157 million for 1Q2018, which was mainly due to the decrease in the sales volume of methanol by approximately 31% YoY to approximately 66,000 tons for 1Q2018. Such decrease was mainly due to the Group's further processing of methanol into dimethyl ether, which enjoys a higher profit margin, according to the profitability of products. The average selling price of methanol increased by approximately 11% YoY, which partially offset the impact on the decrease in revenue of methanol as a result of the decrease in its sales volume.

The gross profit margin for methanol of the Group decreased from approximately 28.5% for 1Q2017 to approximately 13.1% for 1Q2018. Such decrease was mainly due to the increase in average cost of sales of methanol by approximately 35% YoY resulted from the higher coal prices.

Dimethyl ether

In September 2017, the Group's dimethyl ether project in Xinxiang, Henan with an annual production capacity of 200,000 tons successfully commenced operation and has become a new driver for the Group's profit growth. Revenue derived from the sales of dimethyl ether amounted to approximately RMB202 million with the sales volume of approximately 56,000 tons for 1Q2018. According to the unaudited data of the Group, the gross profit derived from dimethyl ether products in 1Q2018 amounted to approximately RMB53 million and the gross profit margin was approximately 26%.

Melamine

Revenue derived from the sales of melamine increased by approximately 12.5% YoY to approximately RMB108 million for 1Q2018, which was mainly due to the increase in the average selling price of melamine of approximately 22.5% YoY. Sales volume of melamine of the Group for 1Q2018 was approximately 15,000 tons, decreased by approximately 6.3% YoY. If the impact of the difference in sales order confirmation time is excluded, then the sales volume of melamine shall be approximately 16,700 tons, increased by approximately 4% YoY. The gross profit margin for melamine of the Group was approximately 55% for 1Q2018, which maintained stable YoY.

Furfuryl alcohol

For 1Q2018, revenue derived from the sales of furfuryl alcohol products increased by approximately 94% YoY to approximately RMB122 million; and sales volume of furfuryl alcohol products was approximately 8,000 tons, which maintained stable YoY. Such increase was mainly due to the increase in average selling price of furfuryl alcohol by approximately 82% YoY and the increase in gross profit margin by 3 percentage points to 10% for 1Q2018, which was caused by the decline in supply of furfuryl alcohol products in the market due to the growing environmental protection pressure in China.

The Group will continue the implementation of low costs and product differentiation strategies and make use of the advantage in coal gasification to reduce the production costs. The Group will also continue to increase the sales portion of high-efficiency fertilisers and to further improve the profitability and market competitiveness of the fertiliser products of the Company. In addition, with the enrichment of the offering of its coal derived chemical products, the Group is able to adjust its product mix in a flexible manner according to the profitability of its fertiliser and chemical products, which has further enhanced the Group's profitability and ability to withstand risks.

By Order of the Board
Liu Xingxu
Chairman of the Board

15 May 2018

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 and Mr. Ong Wei Jin; and the non-executive director of the Company is Mr. Lian Jie.