






[For Immediate Release]

## China XLX Announces FY2008 Financial Results

Financial Highlights (for the 12 months ended 31/12/2008):

-  Revenue increased by 35% to RMB2,085 million
-  Gross profit margin slightly decreased to 23% from 27% in FY2007
-  Net profit attributable to shareholders increased by 9% to RMB346 million
-  Basic earnings per share was RMB34.64 cents
-  Recommended dividend payment of SGD1.6 cents per share for FY2008

Singapore, 20 February 2009 – China XLX Fertiliser Limited (“China XLX” or the “Company”, together with its subsidiaries referred to as the “Group”; stock code: CXLX.SG), one of the largest and most cost efficient coal-based producers of urea and compound fertilisers in the PRC, announces the unaudited results of the Group for the 12 months ended 31 December 2008 (“FY2008”).

### Performance Review

Revenue of the Group for FY2008 increased by 35% to RMB2,085 million from RMB1,541 million for FY2007. The increase was primarily attributable to higher average selling prices of urea, compound fertilisers and methanol, increased sales volume of urea and compound fertilisers as well as a urea service income amounting RMB26 million in FY2008.

Net profit attributable to shareholders for FY2008 increased by 9% to RMB346 million. Basic earnings per share was RMB34.64 cents. The Board of Directors recommends payment of first and final exempt (one-tier) dividend of SGD1.6 cents per share for FY2008.

Revenue from urea in FY2008 amounted to RMB1,156 million, an increase of 24% over FY2007 and accounting for 55% of the Group’s total revenue. Revenue from compound fertilisers in FY2008 totaled RMB708 million, an increase of 77% over FY2007 and accounting for 34% of the Group’s total revenue. Revenue from methanol in FY2008 was RMB215 million, an increase of 4% over FY2007.

Sales volume of urea and compound fertilisers advanced 12% and 10% respectively. Benefiting from higher raw material prices and the commodities boom in the first 9 months of 2008, FY2008 average selling prices of urea, compound fertilisers and methanol increased by 9%, 61% and 11% respectively.

During FY2008, the Group expanded into new markets in the North-Eastern and Central parts of the PRC. This resulted in an increased average compound fertiliser capacity utilization rate from 70% to 84%, while national average utilization rate is only about 40%, according to the China National Chemical Information Centre report dated 2007.

	Consolidated Results of the Group		
	Audited		Increase / (Decrease) %
	12 months ended		
	31/12/2008	31/12/2007	
	RMB'000	RMB'000	
Revenue	2,084,943	1,541,422	35.3
Gross profit	487,870	416,421	17.2
Profit from operations	372,332	343,384	8.4
Profit before tax	349,768	333,319	4.9
Net profit attributable to shareholders	346,399	317,177	9.2

Commenting on the FY2008 results, Mr. Liu Xingxu, Chairman and CEO of China XLX, said, "We managed to achieve satisfactory growth last year despite the challenges posed by the global financial turmoil and economic slowdown. Through effective promotional efforts and cost control measures, we remained as one of the most efficient urea producer in this industry."

### **Gross Margin**

Overall gross profit margin decreased to 23.4% in FY2008 from 27.0% in FY2007 due to reduced gross profit margins from urea and methanol sales. However, profit margin from compound fertilisers saw a remarkable growth.

Gross profit margin for urea in FY2008 dropped to 22% from 32% in FY2007. Although average selling prices for urea increased by 9% in FY2008, the average cost of sales per unit climbed 25% resulting from higher coal prices. Driven by the commodities boom in the first 9 months of 2008 and the shortage of coal supply derived from the shutdown of small coal mines during the Beijing Olympics, coal prices in the Group's cost of sales edged up 49%.

Gross profit margin of compound fertilisers increased to 25% in FY2008 from 15% in FY2007. The improvement was largely attributable to the substantial increase of average selling prices and the Group's effective cost control

measures. Taking advantage of the rising prices of phosphorous and potassium, the Group stepped up efforts of promoting XLX brand and providing value-added service by customizing the nutrients of compound fertilisers via its farmers service centre, leading to more usage of compound fertilisers by farmers.

Gross profit margin for methanol reduced to 20% in FY2008 from 32% in FY2007. Although the average selling prices of methanol increased 11% in FY2008, the average cost of sales per unit increased by 31% resulting from higher coal prices. Average selling prices of methanol increased only 10% although peaking at RMB3,872/ton in June 2008 because methanol selling prices started to decline to as low as about RMB1,700 / ton in December 2008.

### **Financial Position**

The Group's liquidity position remained strong. As at 31 December 2008, its current ratio was 1.62, up from 1.42 as at 31 December 2007. Its net gearing ratio remains manageable at 32% as at 31 December 2008. Liquidity risk also reduces with the short-term to long-term loan ratio reducing from 3.2 to 0.3.

Total assets of the Group increased to RMB2,482 million as at 31 December 2008. Non-current assets which comprised property, plant and equipment and land use rights assets increased by 65% to approximately RMB1,690 million. The increase was mainly due to the construction of the third urea plant and upgrades of existing plants. Current assets decreased by 2% to RMB792 million as at 31 December 2008, mainly due to decrease in fixed deposits and cash and bank balances of RMB310 million resulting from payments for the construction of the third urea plant which was partially offset by increase in prepayments of RMB203 million.

Total liabilities of the Group increased to RMB1,030 million as at 31 December 2008. Current liabilities decreased by 14% to RMB489 million mainly due to the decrease in interest-bearing loans of RMB142 million. Non-current liabilities increased to RMB541 million due to the drawdown of USD45 million syndicated offshore loan, RMB35 million onshore loan and RMB90 million for the loan obtained from a related party, Henan Xin Lian Xin Chemical Co., Ltd, for the construction of the third urea plant.

## **Outlook**

### **Industry specific factors**

Uncertainties over global oil prices, domestic coal prices and crop prices due to the current financial crisis will lead to uncertainties over the industry's profitability in 2009. Chinese urea exports will also be uncompetitive with the current export tax rate. Despite the commodity lull, where international coal prices have declined significantly, China coal prices might not decline as much due to coal mines reducing their coal outputs.

However, the PRC government remains supportive over the agriculture industry in China. For instance, the governments supports the farmers with more subsidies and allowing the change of land use rights which is expected to increase farmers' purchasing power. The government also supports the fertiliser industry which is the backbone of the agriculture industry. For instance, the government recently lifted the urea price cap of RMB1,725/ton while allowing current subsidies to remain. This will promote the growth of the fertiliser industry.

### **Company specific factors**

Notwithstanding the industry risks, our Group continues to focus on increasing our cost efficiency which will improve after the completion of third plant and technical upgrades in our old plant. But, our Group will incur higher corporate taxes in FY2009 as our subsidiary's full tax exemption ended in FY2008. The subsidiary corporate tax rate will be 12.5% from FY2009 to FY2011.

Income statements for the 12 months ended 31 December 2008 together with comparative statements for the corresponding period of the immediately preceding financial year.

	Group					
	Unaudited			Unaudited		
	12 months ended		Increase/ (Decrease) %	12 months ended		12 months ended (Decrease) %
	31/12/2008	31/12/2007		31/12/2008	31/12/2007	
RMB'000	RMB'000		RMB'000	RMB'000		
Revenue	464,453	405,998	14.4%	2,084,943	1,541,422	35.3%
Cost of sales	(381,922)	(280,448)	36.2%	(1,597,073)	(1,125,001)	42.0%
<b>Gross profit</b>	<b>82,531</b>	<b>125,550</b>	-34.3%	<b>487,870</b>	<b>416,421</b>	17.2%
Other operating income/(expenses)	1,499	10,837	-86.2%	3,069	23,764	-87.1%
Selling and distribution expenses	(5,902)	(8,327)	-29.1%	(20,722)	(20,166)	2.8%
General and administrative expenses	(36,447)	(39,339)	-7.4%	(97,885)	(76,635)	27.7%
<b>Profit from operations</b>	<b>41,681</b>	<b>88,721</b>	-53.0%	<b>372,332</b>	<b>343,384</b>	8.4%
Financial income	406	2,690	-84.9%	4,227	7,997	-47.1%
Financial expenses	(8,705)	(2,751)	216.4%	(26,791)	(18,062)	48.3%
<b>Profit before tax</b>	<b>33,382</b>	<b>88,660</b>	-62.3%	<b>349,768</b>	<b>333,319</b>	4.9%
Income tax	12,290	(15,792)	-177.8%	(3,369)	(16,142)	-79.1%
<b>Net profit attributable to shareholders</b>	<b>45,672</b>	<b>72,868</b>	-37.3%	<b>346,399</b>	<b>317,177</b>	9.2%

**Balance sheets (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	Unaudited		Unaudited	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,616,011	974,266	-	-
Land use rights	74,197	48,474	-	-
Investment in subsidiary	-	-	800,000	400,000
	<b>1,690,208</b>	<b>1,022,740</b>	<b>800,000</b>	<b>400,000</b>
<b>Current assets</b>				
Inventories	234,965	178,525	-	-
Prepayments	304,469	107,269	-	-
Trade receivables	7,667	1,793	-	-
Bills receivable from banks	18,580	5,528	-	-
Derivatives	19,807	-	19,807	-
Other receivables	6,094	4,303	1,509	551
Due from related parties	-	1,998	307,536	-
Fixed deposits	10,685	453,529	10,685	435,078
Cash and bank balances	189,429	56,789	12,352	5,254
	<b>791,696</b>	<b>809,734</b>	<b>351,889</b>	<b>440,883</b>
<b>TOTAL ASSETS</b>	<b>2,481,904</b>	<b>1,832,474</b>	<b>1,151,889</b>	<b>840,883</b>

	Group		Company	
	Unaudited		Unaudited	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current liabilities</b>				
Deferred grants	9,740	8,240	-	-
Income tax payable	220	930	220	930
Interest-bearing loans and borrowings	145,000	287,000	-	-
Trade payables	47,760	27,685	-	-
Bills payable to bank	-	5,000	-	-
Other payables	154,302	179,501	-	-
Due to related parties	1,676	1,682	-	-
Accruals and other liabilities	130,709	61,195	10,563	4,078
	<b>489,407</b>	<b>571,233</b>	<b>10,783</b>	<b>5,008</b>
<b>NET CURRENT ASSETS</b>	<b>302,289</b>	<b>238,501</b>	<b>341,106</b>	<b>435,875</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	432,974	90,348	307,557	-
Loan from related party	90,000	-	-	-
Deferred tax liabilities	18,617	14,725	-	-
	<b>541,591</b>	<b>105,073</b>	<b>307,557</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,030,998</b>	<b>676,306</b>	<b>318,340</b>	<b>5,008</b>
<b>NET ASSETS</b>	<b>1,450,906</b>	<b>1,156,168</b>	<b>833,549</b>	<b>835,875</b>
<b>Equity attributable to equity holder of the Company</b>				
Share capital	772,328	772,328	772,328	772,328
Statutory reserve fund	77,770	40,514	-	-
Hedging reserve	19,807	-	19,807	-
Accumulated profits	581,001	343,326	41,414	63,547
<b>Total shareholders' equity</b>	<b>1,450,906</b>	<b>1,156,168</b>	<b>833,549</b>	<b>835,875</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,481,904</b>	<b>1,832,474</b>	<b>1,151,889</b>	<b>840,883</b>

## **Company Profile**

China XLX Fertiliser Limited is listed on the Singapore Stock Exchange under stock code "CXLX". The Company is the 6th largest coal-based producer of urea in terms of production capacity in the PRC. Headquartered in Xinxiang, Henan Province, its manufacturing plants are equipped with advanced technologies for optimal production efficiency, making them the 4th lowest cost coal-based producer of urea in the PRC. For more information, please visit the Company's website: [www.chinaxlx.com.sg](http://www.chinaxlx.com.sg).

## **Teleconference Call**

China XLX's management will host a global conference call at 7 p.m. Singapore Time on 20 February (11:00 a.m. London Time or 6:00 a.m. New York Time) to discuss the Company's perspective on the results and answer questions

To access the teleconference, please dial:

- 852 3005 2050 (International)
- 800 852 3576 (Singapore Toll Free)
- 800 701 1223 (China Toll Free)

Pass Code: 541356#

## **Disclaimer**

This press release includes forward-looking statements. All statements, other than statements of historical facts that address activities, events or developments that China XLX expects or anticipates will or may occur in the future are forward-looking statements. China XLX's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties. In addition, China XLX makes the forward-looking statements referred to herein as of today and undertakes no obligation to update these statements

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