

[Immediate Release]

## China XLX Reports Third Quarter and Nine Months 2008 Financial Results

Highlights (for nine months ended 30/9/2008):

- Revenue increased by 42.7% YoY to RMB1,620.5 million
- Net profit increased by 23.1% YoY to RMB300.7 million
- Gross profit margin was 25.0% compared to 25.6% in 9M2007
- Basic earnings per share were RMB30.07 cents

Singapore, 31 October 2008 – China XLX Fertiliser Limited (“China XLX” or the “Group”; stock code: CXLX.SG), one of the largest and most cost efficient coal-based producers of urea and compound fertiliser in the PRC, today announced its unaudited financial results for the third quarter and nine months ended 30 September 2008.

### Performance Overview

Revenue for 9M2008 increased by 42.7% YoY to RMB1,620.5 million from RMB1,135.4 million for 9M2007 due to higher average selling prices for urea, methanol and compound fertiliser and increased sales volumes of urea and compound fertiliser.

Net profit attributable to shareholders increased by RMB56.4 million or 23.1% to RMB300.7 million in 9M2008 compared to RMB244.3 million in 9M2007. This was primarily due to higher average selling prices, reduction in the amount of coal used for urea and methanol production and higher sales volume of compound fertiliser. Additionally, in anticipation of potential coal price hikes in 3Q2008, we increased coal inventory level during 1Q2008 and 2Q2008 to minimize raw material cost.

The average selling price of urea increased by 12.1% from RMB1,536/ton in 9M2007 to RMB1,722/ton in 9M2008 due to higher raw material prices and tighter urea supply. Average selling prices of methanol and compound fertiliser for 9M2008 increased by 33.0% and 60.6% respectively compared to that in 9M2007. In addition, sales volume of urea and compound fertiliser increased by 4.0% and 29.0% respectively in 9M2008 as compared to that in 9M2007. To capitalize the increased prices in compound fertiliser, we enhanced our sales

efforts both in Henan and Northeast China. As a result, sales volume for compound fertiliser increased sharply during 3Q2008.

Commenting on the 3Q2008 results, China XLX Chairman and CEO Mr. Liu Xingxu said, "We are extremely satisfied with the results achieved in 3Q2008 despite many uncertainties we faced under such a challenging and difficult market environment. These encouraging results again proved that China XLX has the strengths to maintain its industry leadership and is capable of delivering consistent results to our shareholders."

### **Gross Margin**

Gross profit margin was 25.0% in 9M2008 as compared to 25.6% in 9M2007. Gross profit margin of urea eased by 5.2 percentage points from 30.6% in 9M2007 to 25.4% in 9M2008. Although average anthracite coal prices increased by 40.8% in 9M2008 due to closure of small coal mines during the Beijing Olympics, the average cost of urea per ton only increased 20.6% in 9M2008 as compared to 9M2007. The increase in coal prices was partially offset by improvement in cost efficiency and increased coal inventory level during 1Q2008 and 2Q2008 in anticipation of potential coal price hikes. We were able to produce each ton of urea using 31kg less coal in 9M2008, a reduction of 3.1%, compared to 9M2007 due to technical upgrades. Gross margin for urea was also supported by high international urea prices this year that drove domestic urea prices up by 12.1% in 9M2008 as compared to 9M2007.

Gross profit margin of compound fertiliser increased by 9.3 percentage points from 14.7% in 9M2007 to 24.0% in 9M2008. This was attributable to higher average selling prices of compound fertiliser that increased by 60.6%, fueled by higher phosphorous and potassium prices. However, due to our effective cost control measures, the average unit cost of compound fertiliser only increased 43.1% in 9M2008 as compared to 9M2007.

Gross profit margin of methanol increased by 2.1 percentage points from 26.5% in 9M2007 to 28.6% in 9M2008, mainly due to higher average selling prices that increased by 33.0% from RMB2,007/ton in 9M2007 to RMB2,670/ton in 9M2008. Although anthracite coal prices also affected methanol production costs, the average unit cost of methanol only increased by 29.2%. Similar to urea, our technical upgrades helped lower the amount of coal used for methanol production.

### **Financial Position**

The carrying amount of property, plant and equipment as at 30 September 2008 increased by RMB317.9 million or 32.6% from RMB974.3 million as at 31

December 2007. The increase was mainly due to the construction of the third urea plant and upgrades of existing production machinery.

Current assets increased by RMB33.4 million to RMB843.1 million. The increase was due principally to the increase in prepayment of RMB228.6 million, including an increase of RMB220.6 million for plant and equipment and RMB4.2 million for raw materials. Inventory level increased by RMB107.4 million due to higher coal and phosphorous inventory levels. The higher inventories for coal and phosphorous were used to protect against the rising costs of raw materials and to ensure sufficient supply of coal and phosphorous for the upcoming winter season.

Current liabilities decreased by 10.5% to RMB 511.5 million from RMB 571.2 million as at 30 Sep 2008 due to the discharge of interest-bearing borrowings amounting to RMB147.0 million. The increase in other payables of RMB29.0 million was due to an increase in advances from customers and increases in bills payable to banks (RMB44.1 million) and trade payables (about 14.1 million).

Non-current liabilities increased by RMB166.3 million due to a loan obtained from Henan Xin Lian Xin Chemicals Co., Ltd, amounting to RMB90.0 million and an increase in loans from China Construction Bank amounting to RMB100.0 million.

Cash and cash equivalents decreased by RMB337.2 million in 9M2008 mainly due to purchase of property, plant and equipment of RMB610.5 million, dividend payment of RMB71.5 million and repayment of loans and borrowings of RMB327.0 million. The decrease in cash and cash equivalents was partially offset by cash generated from operations of approximately RMB342.8 million and proceeds from bank borrowings and related party loans of RMB330.0 million.

### **Syndicated Loan Facility**

Despite the current financial crisis, we were able to secure a 3-year USD-denominated syndicated loan of US\$45.0 million with a floating rate at USD LIBOR + 2.25%. This syndicated loan will be used for the construction of our 3<sup>rd</sup> plant expected to be in full production by 3Q2009.

### **Update on the 3<sup>rd</sup> Plant**

Currently, 95% of the building for the 3<sup>rd</sup> plant has been completed while 95% of the equipment is ready to be installed. Our target production time of 3Q2009 still remains on schedule.

### **Outlook**

- **Urea:** Urea average selling prices have been near or at the PRC government price ceiling since 1Q2008. We anticipate potential price pressure due to lower international urea prices, increase in domestic supply arising from lower export due to higher export tax and seasonality. However, a few factors may ease such price pressure. First, shut-down of small urea plants with capacity of lower than 300,000 tons/year may reduce overall urea production; second, the Chinese government has increased off-peak urea storage from 6 million tons to 8 million tons for 2008 winter. Finally, we also expect that the recent increase in farmer's subsidies may give farmers more incentive to purchase fertiliser. .
- **Compound Fertiliser:** Compound Fertiliser prices might also start declining as its peak season, the third quarter is over.
- **Methanol:** Methanol prices have experienced greater volatility this year as compared to last year. We also expect methanol prices to be under pressure due to lower commodity prices. Furthermore, the formaldehyde industry is also facing a downturn led by a decline in the construction industry as a result of the liquidity crisis. However, since some small methanol plants have started to shut down due to high cost, it may stabilise the demand and supply in the near future. Nonetheless, the price pressure will have limited impact on us since methanol is a by product, accounting for only 10% of our overall revenue and gross profit.
- **Raw material:** Although we expect possible decline in average selling prices for urea, compound fertiliser and methanol, we also see declined trends for raw materials, including coal and phosphorous.

“Looking ahead, industry consolidation will present many opportunities for China XLX. Our high cost efficiency, coupled with strong industry experience and expertise, and backed by our healthy financial position demonstrated by solid working capital, low gearing and sufficient credit facilities will not only help us weather through the current difficult period but will help us emerge as an even stronger leader in China's fertiliser industry,” concluded Chairman Liu.

**Income statements for the 9 months ended 30 September 2008 together with comparative statements for the corresponding period of the immediately preceding financial year.**

	<b>Group</b>					
	<b>Unaudited</b>			<b>Unaudited</b>		
	<b>3 months ended</b>		<b>Increase/</b>	<b>9 months ended</b>		<b>Increase/</b>
	<b>30/9/2008</b>	<b>30/9/2007</b>	<b>(Decrease)</b>	<b>30/9/2008</b>	<b>30/9/2007</b>	<b>(Decrease)</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
Revenue	628,523	400,139	57.1%	1,620,490	1,135,424	42.7%
Cost of sales	(495,735)	(312,456)	58.7%	(1,215,151)	(844,553)	43.9%
<b>Gross profit</b>	<b>132,788</b>	<b>87,683</b>	<b>51.4%</b>	<b>405,339</b>	<b>290,871</b>	<b>39.4%</b>
Other operating income/(expenses)	1,684	8,673	-80.6%	1,570	12,927	-87.9%
Selling and distribution expenses	(4,582)	(3,885)	17.9%	(14,820)	(11,839)	25.2%
General and administrative expenses	(21,684)	(13,960)	55.3%	(61,438)	(37,296)	64.7%
<b>Profit from operations</b>	<b>108,206</b>	<b>78,511</b>	<b>37.8%</b>	<b>330,651</b>	<b>254,663</b>	<b>29.8%</b>
Financial income	293	3,918	-92.5%	3,821	5,307	-28.0%
Financial expenses	(6,595)	(2,524)	161.3%	(18,086)	(15,311)	18.1%
<b>Profit before tax</b>	<b>101,904</b>	<b>79,905</b>	<b>27.5%</b>	<b>316,386</b>	<b>244,659</b>	<b>29.3%</b>
Income tax	(5,302)	(350)	1414.9%	(15,659)	(350)	4374.0%
<b>Net profit attributable to shareholders</b>	<b>96,602</b>	<b>79,555</b>	<b>21.4%</b>	<b>300,727</b>	<b>244,309</b>	<b>23.1%</b>

Profit before tax is arrived at after charging/ (crediting) the following:

	<b>Group</b>			
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Unaudited</b>
	<b>3 months ended</b>	<b>3 months ended</b>	<b>9 months ended</b>	<b>9 months ended</b>
	<b>30/9/2008</b>	<b>30/9/2007</b>	<b>30/9/2008</b>	<b>30/9/2007</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation of property, plant and equipment	19,512	8,564	57,834	29,429
Amortisation of land use rights	266	-	798	-
Loss on disposal of property, plant and equipment	-	8	348	6
Net fair value gain on derivative	(1,781)	-	(1,781)	-
Foreign exchange loss/(gain)	2,101	(7,643)	3,119	(10,836)
Interest income	(293)	(3,918)	(3,821)	(5,307)
Interest expenses	6,595	2,524	18,086	15,311
Inventories written down	3,000	-	3,000	-
Bad debt written off	-	252	-	252

**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	
	30/9/2008	31/12/2007	30/9/2008	31/12/2007
	RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,292,170	974,266	-	-
Land use rights	47,790	48,474	-	-
Investment in subsidiary	-	-	800,000	400,000
	<b>1,339,960</b>	<b>1,022,740</b>	<b>800,000</b>	<b>400,000</b>
<b>Current assets</b>				
Inventories	285,888	178,525	-	-
Prepayments	335,859	107,269	-	-
Trade receivables	18,656	1,793	-	-
Bills receivable from banks	6,253	5,528	-	-
Derivatives	14,773	-	14,773	-
Other receivables	4,773	4,303	222	551
Due from related parties	1,142	1,998	-	-
Cash and bank balances	119,395	56,789	31,796	5,254
Fixed deposits	56,321	453,529	2,520	435,078
	<b>843,060</b>	<b>809,734</b>	<b>49,311</b>	<b>440,883</b>
<b>TOTAL ASSETS</b>	<b>2,183,020</b>	<b>1,832,474</b>	<b>849,311</b>	<b>840,883</b>
<b>Current liabilities</b>				
Deferred grants	8,490	8,240	-	-
Income tax payable	290	930	290	930
Interest-bearing loans and borrowings	140,000	287,000	-	-
Trade payables	41,737	27,685	-	-
Bills payable to bank	49,050	5,000	-	-
Other payables	208,491	179,501	7,415	-
Due to related parties	629	1,682	-	-
Accruals and other liabilities	62,797	61,195	-	4,078
	<b>511,484</b>	<b>571,233</b>	<b>7,705</b>	<b>5,008</b>
<b>NET CURRENT ASSETS</b>	<b>331,576</b>	<b>238,501</b>	<b>41,606</b>	<b>435,875</b>

	Group		Company	
	Unaudited		Unaudited	
	30/9/2008	31/12/2007	30/9/2008	31/12/2007
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	150,312	90,348	-	-
Loan from related party	90,000	-	-	-
Deferred tax liabilities	31,024	14,725	-	-
	<b>271,336</b>	<b>105,073</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>782,820</b>	<b>676,306</b>	<b>7,705</b>	<b>5,008</b>
<b>NET ASSETS</b>	<b>1,400,200</b>	<b>1,156,168</b>	<b>841,606</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	40,514	40,514	-	-
Hedging reserve	14,773	-	14,773	-
Accumulated profits	572,585	343,326	54,505	63,547
<b>Total shareholders' equity</b>	<b>1,400,200</b>	<b>1,156,168</b>	<b>841,606</b>	<b>835,875</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,183,020</b>	<b>1,832,474</b>	<b>849,311</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 October 31, 2008 (11:00 a.m. London Time or 7:00 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 fact 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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