



China XLX Announces Financial Results for its 4Q/FY 2009

Financial Highlight:

- Revenue for FY2009 increased by RMB244.7 million or 11.7% year-on-year from approximately RMB2,084.9 million to approximately RMB2,329.6 million
- Net profit was boosted by RMB11.5 million or 37.0% from RMB30.9 million in 4Q2008 to RMB42.4 million in 4Q2009
- Basic earnings per share was RMB11.92 cents
- Recommended dividend payment of SGD0.6 cents per share for FY2009, dividend payout ratio is 24.5 % of profit after tax

(February 23, 2010 – Hong Kong) – **China XLX Fertiliser Ltd.** (“China XLX” or the “Group”; stock code: 1866.HK; CXLX.SP), one of the largest and most cost efficient coal-based producers of urea and compound fertilizer in the PRC, today announced its 4Q/FY 2009 results for the periods ended 31 December 2009.

The board of directors (the “Board”) has recommended a final dividend of SGD0.6 cents per share. The dividend payout ratio is 24.5 % of profit after tax.

Financial Performance Review

Revenue

Revenue for FY2009 increased by RMB244.7 million or 11.7% from approximately RMB2,084.9 million in FY2008 to approximately RMB2,329.6 million in FY2009. The increase was mainly due to the increase in sales quantity of urea as a result of the commencement of the third urea plant which increased the urea aggregate annual capacity from 720,000 tons to 1,250,000 tons. The increase in revenue was partially offset by the decrease in revenue for the sales of methanol and compound fertiliser. The Group had reduced the sales mix of methanol in 2009 as it was loss-making. Revenue from compound fertiliser also declined due to the decision to sell more urea than compound fertiliser in FY2009 which was due to a reduction in the average selling price of compound fertiliser by approximately 32.8%.

Gross profit margin

Overall gross profit margin declined from 23.1% in FY2008 to 13.5% in FY2009 due to the decrease

in gross profit margins of urea, methanol and compound fertiliser.

Gross profit margin for urea was 19.7% in FY2009, down from 23.3% in FY2008. This was due to decrease in average selling price of urea in FY2009 by about 6.6% led by the domestic oversupply of urea. The gross margin for urea was also affected by the ramp up cost of the third plant which commenced trial production in mid April 2009.

Gross profit margin for methanol declined significantly from 19.7% in FY2008 to negative 15.2% in FY2009. This was mainly due to lower domestic average selling prices generated by lower oil prices, massive amount of imported of methanol at lower price, weaker demand in Dimethyl Ether (“DME”), construction, automotive and other methanol’s downstream applications.

Gross profit margin for compound fertiliser also dropped from 24.5% in FY2008 to 2.2% in FY2009. This was primarily due to decline in average selling prices of compound fertiliser while our costs remained high because of consumption of high cost inventories purchased previously.

Net profit attributable to shareholders

In FY2009, net profit attributable to shareholders decreased by approximately RMB212.5 million or 64.1% year-on-year from RMB331.7 million to RMB119.2 million. This was mainly due to the decline in profit margin by all products as a result of decline in average selling prices of urea, methanol and compound fertiliser, ramp up cost for the third plant, consumption of high inventory costs carried over from FY2008 and increase in professional fees for the dual listing in Hong Kong.

If looking at the figures by quarters, net profit increased by RMB11.5 million or 37.0% from RMB30.9 million in 4Q2008 to RMB42.4 million in 4Q2009. This was due to the urea’s revenue increase by approximately RMB156.7 million from RMB347.4 million in 4Q2008 to RMB504.1 million in 4Q2009, and the turnaround of methanol gross margins from negative 25.3% in 4Q2008 to 0.9% in 4Q2009.

Future Outlook

Reviewing the financial performance of FY2009, Mr. Liu Xingxu, Chairman and CEO of China XLX commented, “China XLX continued to deliver revenue growth even in a challenging economic environment in 2009 and remained profitable despite the fact that most of our peers are making losses in 2009. The Group also witnessed a major improvement in fertiliser market since 3Q09. Improved urea demand and average selling prices, falling urea production volume in winter seasons in the PRC have seen urea sales pick up. We also made several significant achievements in the last year. With the commencement of operations of the 3rd urea production line in April 2009, we enhanced our urea production capacity to 1.25 million tons per annum, which we believe has prepared us well to meet the increasing urea demand resulting from continuously improving

economic conditions.”

Looking ahead, Chairman Liu also added, “We could expect Chinese government to persist in beefing up more efforts in promoting the development of agriculture. In recent years, the fiscal expenditure support to agriculture, farmers and rural areas has been continuously increasing. Fertiliser industry will have a better environment in 2010. We are also optimistic over our financial outlook of FY2010 as many once-off high cost in 2009 such like professional fee for dual listing and ramp up cost of 3rd urea production line is unlikely to happen in FY2010. Meanwhile, we will optimize our inventory management to minimize the potential inventory loss. Considering our strategic location in most populous province in Henan, our secured vertical industry value chain and our cost efficiency leadership among peer companies, we are really confident to maintain the leading position in fertiliser industry as the most cost-efficient player among coal-based producers with annual capacity of over 1 million tons in the PRC.”

Finally, Chairman Liu remarked, “Another milestone for China XLX in 2009 is our successful dual listing on the Main Board of Hong Kong Stock Exchange in December 2009. We are hoping to engage more quality global investors to improve our shareholder base. We are committed to becoming the most profitable coal-based urea producer and creating higher returns for our shareholders and a better tomorrow for our employees, our community and our society.”

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About China XLX

China XLX Fertiliser Ltd., a limited liability company incorporated in Singapore with headquarters in Xinxiang of Henan Province in the PRC, is one of the largest and most cost-efficient coal-based urea producers in China in term of production capability. With advanced technologies and machineries, the Group is currently operating 3 production plants with the aggregated annual production capacities of urea at 1.25 million tons, compound fertiliser and methanol at 600,000 tons and 200,000 tons respectively. China XLX has been listed on the Main Board in Hong Kong since December 2009 with stock code “1866” and Singapore stock exchange since June 2007 with a ticker symbol of “CXLX”. For more information about the Group, please visit the corporate website at <http://www.chinaxlx.com.sg>.

This press release is issued by Wonderful Sky Financial Group Limited on behalf of China XLX Fertiliser Ltd.

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