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**心連心**

**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)**

**ADOPTION OF EQUITY INCENTIVE SCHEME OF A SUBSIDIARY  
AND  
CONNECTED TRANSACTION  
IN RELATION TO THE CAPITAL INCREASE OF A SUBSIDIARY**

**THE SCHEME**

The Board announces that it has resolved to adopt the implementation details of the Scheme to recognize the past and present contributions and to incentivize the future contributions by the Participants to the Henan XLX International Trade.

Pursuant to the Scheme, Incentive Equity Interest in Henan XLX International Trade will be granted to the Participants through the Partnership Platform by way of subscribing for new share capital in Henan XLX International Trade.

The total capital contribution by the Participants (through the Partnership Platform) for subscribing for the new registered share capital of Henan XLX International Trade of RMB7.45 million will be approximately RMB7.45 million, representing approximately 28.65% of the enlarged share capital of Henan XLX International Trade upon completion of the Capital Increase pursuant to the Scheme.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Adoption of the Scheme**

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

### **The Capital Increase**

As Mr. Zheng Nan (鄭楠) (relative of Mr. Liu Xingxu, Director of the Company) is the general partner of the Partnership Platform and holds major control in the Partnership Platform, the Partnership Platform, by virtue of the Listing Rules, is a connected person of the Company. Accordingly, the subscription for the new registered share capital of Henan XLX International Trade pursuant to the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase is more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Upon completion of the Capital Increase, the Company's interest indirectly hold in Henan XLX International Trade through Henan XLX, a subsidiary of the Company, would decrease from 100% to approximately 71.35%. Therefore, the Capital Increase would constitute a deemed disposal of the Company under the Listing Rules. Given that all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase are less than 5%, the deemed disposal does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

The Board announces that it has resolved to adopt the implementation details of the Scheme to recognize the past and present contributions and to incentivize the future contributions by the Participants to the Henan XLX International Trade.

Pursuant to the Scheme, Incentive Equity Interest in Henan XLX International Trade will be granted to the Participants through the Partnership Platform by way of subscribing for new share capital in Henan XLX International Trade.

On 30 December 2022, the Partnership Platform entered into the Capital Increase Agreement to subscribe for the Incentive Equity Interest. The total additional capital contribution to Henan XLX International Trade will be approximately RMB7.45 million, which shall be funded by the Limited Partners through cash contribution to the Partnership Platform. After completion of the Capital Increase, the Partnership Platform will hold approximately 28.65% of the enlarged share capital of Henan XLX International Trade.

## **THE SCHEME**

The principal terms of the Scheme are summarized as follows:

### **PURPOSES**

The purposes of the Scheme are to grant awards to the Participants, so as to (i) encourage the management of Henan XLX International Trade to achieve performance targets, thus enhances the Group's value in future; and (ii) provide incentives to the management and core employees of Henan XLX International Trade to continue to contribute for Henan XLX International Trade, and to align the interests of such employees with the interests of the Group.

### **PARTICIPANTS**

#### **Basis for selecting the Participants**

The Participants shall be the management and core employees of Henan XLX International Trade who have made and will continue to make significant contributions to Henan XLX International Trade, based on the following specific conditions:

- 1) has signed formal employment contract with Henan XLX International Trade and has worked as full-time staff for more than one year;
- 2) possesses the qualifications and abilities required by his/her position;
- 3) has not conducted any behaviours that will prejudice the interests of the Company, nor being punished for the violation of laws or regulations, and there were no other circumstances that do not comply with the requirements of this equity incentive scheme.

The Scheme shall involve 17 Participants. The specific list of Participants and the amount of capital contribution to be made by each of them shall be assessed and determined by the Board in accordance with the Scheme.

## **INCENTIVE EQUITY INTEREST TO BE GRANTED UNDER THE SCHEME**

### **Form of Incentive Equity Interest to be granted under the Scheme**

The Partnership Platform will hold the Incentive Equity Interest for and on behalf of the Participants. The Participants shall contribute capital to become Limited Partners of the Partnership Platform. The Participants will not directly hold Incentive Equity Interest in Henan XLX International Trade.

### **Basis for determination of the subscription price for the Incentive Equity Interest**

The subscription price is RMB1 per share for the Incentive Equity Interest. Such subscription price is determined based on the unaudited net assets per share RMB1.12 of Henan XLX International Trade as of 29 December 2022.

### **Amount of Incentive Equity Interest to be granted under the Scheme and its percentage of the registered capital of Henan XLX International Trade**

The Incentive Equity Interest proposed to be granted to the Participants pursuant to the Scheme represents approximately 28.65% of the enlarged registered capital of Henan XLX International Trade after the completion of the Capital Increase. The Partnership Platform will inject approximately RMB7.45 million to subscribe for the new registered share capital of Henan XLX International Trade of RMB7.45 million.

### **LOCK-UP PERIOD**

The Incentive Equity Interest shall be subject to a three-year Lock-up Period. During the Lock-up Period, Participants are not permitted to dispose of or otherwise dispose of their Incentive Equity Interest. The Partnership Platform also shall not dispose any part of their Incentive Equity Interest.

## THE CAPITAL INCREASE AGREEMENT

The principal terms of the Capital Increase Agreement are summarized as follows:

- Date** : 30 December 2022
- Parties** : Henan XLX International Trade  
The Partnership Platform; and  
Henan XLX
- Capital Increase** : The Partnership Platform will inject approximately RMB7.45 million to subscribe for the new registered share capital of Henan XLX International Trade of RMB7.45 million, representing approximately 28.65% of the enlarged share capital of Henan XLX International Trade, which will be paid by the Participants with their own funds.
- Payment of the capital contribution** : The Partnership Platform shall pay the one-off subscribed capital contribution to Henan XLX International Trading within 30 working days upon entered into the Capital Increase Agreement.
- Change of Business Registration** : Henan XLX International Trading shall make a shareholder meeting resolution within 30 working days upon entered into the Capital Increase Agreement, and apply to the industrial and commercial registration authority for the relevant change of registration procedures.

## EQUITY-HOLDING STRUCTURE OF HENAN XLX INTERNATIONAL TRADE

The table below sets forth the equity-holding structure of Henan XLX International Trade before and immediately following the Capital Increase for illustrative purpose only (assuming that there is no other change in the equity-holding structure of Henan XLX International Trade between the date of this announcement and the Grant Date).

Equity holder	Equity-holding structure before the Capital Increase		Equity-holding structure immediately following the Capital Increase	
	<i>Registered share capital (RMB'0,000)</i>	<i>Approximate percentage</i>	<i>Registered share capital (RMB'0,000)</i>	<i>Approximate percentage</i>
<b>Henan XLX Partnership Platform</b>	<b>1,855</b>	<b>100%</b>	<b>1,855</b>	<b>71.35%</b>
— connected Participants	—	—	745	28.65%
— non-connected Participants	—	—	610	23.46%
	—	—	135	5.19%
<b>Total</b>	<b>1,855</b>	<b>100%</b>	<b>2,600</b>	<b>100%</b>

The connected Participants of the Partnership Platform consists of two connected persons of the Company, namely Mr. Zheng Nan (relative of Mr. Liu Xingxu, Director of the Company) and Ms. Zhang Yunxi (張雲溪) (relative of Mr. Zhang Qingjin, Director of the Company). They subscribed for approximately 21.15% and 2.31%, respectively, of the enlarged registered capital of Henan XLX International Trade.

Upon completion of the Capital Increase, the registered share capital of Henan XLX International Trade will increase from the current RMB18.55 million to RMB26.00 million. Henan XLX International Trade will remain as a subsidiary of the Company.

## INFORMATION ON THE PARTIES

### Henan XLX International Trade and the Group

Henan XLX International Trade is principally engaged in international trading business, and its products are melamine, urea, compound fertiliser and others. As at the date of this announcement, the ultimate shareholder of Henan XLX International Trade is the Company.

The following table sets out certain financial information of Henan XLX International Trade and its subsidiaries for the two financial years ended 31 December 2021 and the six months ended 30 June 2022:

			<i>RMB'000</i>
	<b>For the financial year ended 31 December</b>		<b>Six months ended 30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Operating income	280,815	386,868	145,277
Net profit (loss) before tax	2,420	(4,050)	7,735
Net profit (loss) after tax	1,010	(4,050)	5,801

The unaudited consolidated net asset value of Henan XLX International Trade as at 30 June 2022 was approximately RMB13.5178 million.

The Group is principally engaged in the development, manufacturing and sales of urea, compound fertilisers, methanol, dimethyl ether, melamine, furfuryl alcohol and related products.

### The Partnership Platform

The Partnership Platform is a limited partnership established in the PRC, and it mainly engages in investment and asset management. The general partner of the Partnership Platform is a connected person of the Company, namely Mr. Zheng Nan (relative of Mr. Liu Xingxu, Director of the Company). Mr. Zheng Nan has control over the business operations and affairs of the Partnership Platform and holds approximately 73.83% of the equity in the Partnership Platform. One of the Limited Partners of the Partnership Platform is a connected person of the Company, namely Ms. Zhang Yunxi (relative of Mr. Zhang Qingjin, Director of the Company), which holds approximately 8.05% of the equity in the Partnership Platform.

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, each of the connected Participants is not connected with any other connected Participants.

## **REASONS FOR AND BENEFITS OF ADOPTING THE SCHEME**

The Participants are the management and core employees who are important to Henan XLX International Trade and who have made and will continue to make significant contributions to Henan XLX International Trade or the Group. The Company considers employees to be the most valuable assets to the Group, and the granting of the Incentive Equity Interest will provide an additional incentive for the Participants to continue to make contributions to Henan XLX International Trade and the Group.

The proceeds from the Capital Increase are intended to be applied for the general working capital of Henan XLX International Trade.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Scheme are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. The entering into of the Capital Increase Agreement would constitute a connected transaction of the Company, despite the relevant transaction was not entered into in the ordinary and usual course of business of the Group, it was entered into upon normal commercial terms and the terms of the connected transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the relationship between Mr. Liu Xingxu and Mr. Zhang Qingjin with the connected Participants as disclosed above, they are deemed or may be perceived to have a material interest in the transactions contemplated under the Scheme. Accordingly, they have abstained from voting on the relevant Board resolutions approving the Scheme and the Capital Increase Agreement. Save as disclosed in this announcement, no other Directors are deemed or may be perceived to have a material interest in the transactions contemplated under the Scheme or are required to abstain from voting on the relevant Board resolutions under the requirements of the Listing Rules.

## **LISTING RULES IMPLICATIONS**

### **Adoption of the Scheme**

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

## **The Capital Increase**

As Mr. Zheng Nan (鄭楠) (relative of Mr. Liu Xingxu, Director of the Company) is the general partner of the Partnership Platform and holds major control in the Partnership Platform, the Partnership Platform, by virtue of the Listing Rules, is a connected person of the Company. Accordingly, the subscription for the new registered share capital of Henan XLX International Trade pursuant to the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase is more than 0.1% but less than 5%, the entering into of the Capital Increase Agreement is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Upon completion of the Capital Increase, the Company's interest in Henan XLX International Trade would decrease from 100% to approximately 71.35%. Therefore, the Capital Increase would constitute a deemed disposal of the Company under the Listing Rules. Given that all of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Capital Increase are less than 5%, the deemed disposal does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“associate”	shall have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capital Increase”	the capital increase made by the Partnership Platform to Henan XLX International Trade to subscribe for the Incentive Equity Interest in Henan XLX International Trade pursuant to the Capital Increase Agreement

“Capital Increase Agreement”	the capital increase agreement dated 30 December 2022 entered between the Partnership Platform and Henan XLX International Trade in relation to the Capital Increase
“Company”	China XLX Fertiliser Ltd., a company incorporated in Singapore with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1866)
“Connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Grant Date”	the date on which the Incentive Equity Interest is granted to the Participants through the Partnership Platform in accordance with the Scheme
“Group”	the Company and its subsidiaries
“Henan XLX”	Henan Xinlianxin Chemicals Group Co., Ltd, a subsidiary of the Company
“Henan XLX International Trade”	Henan Xinlianxin International Trade Co., Ltd* (河南心連心國際貿易有限公司), a wholly-owned subsidiary of Henan XLX prior to the Capital Increase
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Equity Interest”	the incentive equity interest of the Henan XLX International Trade granted to allow subscription by the Participants through the Partnership Platform
“Limited Partners”	the limited partner of the Partnership Platform, being the participants which become the holders of the Incentive Equity Interests of the Partnership Platform in accordance to the Scheme, and each a “Limited Partner”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Lockup Period”	the designated period of the Partnership Platform, commencing from the Grant Date to the date specified by the Company, during which the Limited Partners shall not deal with any portion or all of the Incentive Equity Interest of the Partnership Platform
“Participants”	certain senior management and employees of Henan XLX International Trade who are eligible to the Scheme, and each a “Participant”
“Partnership Platform”	Xinxiang County Xinmao Enterprise Management Consulting Partnership (Limited Partnership)* (新鄉縣新貿企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC, being the shareholding platform for certain employees
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the share incentive scheme of Henan XLX International Trade adopted by the Board
“Shareholder(s)”	shareholder(s) of the Company
“Subsidiary”	shall have the meaning ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	Per cent.

By Order of the Board  
**China XLX Fertiliser Ltd.**  
**Liu Xingxu**  
*Chairman of the Board*

Hong Kong, 30 December 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Liu Xingxu, Mr. Zhang Qingjin and Ms. Yan Yunhua; and 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*