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**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)**

## **PROPOSED ADOPTION OF SHARE AWARD PLAN**

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On 5 February 2024, the Board approved the resolution in relation to the proposed adoption of the Share Award Plan, which is subject to approval at the general meeting and of the relevant regulatory authorities.

The purposes of the Share Award Plan are to recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

### **LISTING RULES IMPLICATIONS**

Pursuant to Chapter 17 of the Listing Rules, the Share Award Plan will constitute a share scheme which must be approved by the Shareholders at the general meeting. Accordingly, the proposed adoption of the Share Award Plan will be subject to the Shareholders' approval at the general meeting. The Company will convene the general meeting to consider and, if thought fit, approve the adoption of the Share Award Plan.

A circular containing, among other things, details of the Share Award Plan (including principal terms of the Share Award Plan), and the notice of the general meeting, will be despatched to the Shareholders as and when appropriate in accordance with the requirements of the Listing Rules.

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Set out below are the principal terms of the Share Award Plan:

## **PURPOSE**

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## **SELECTED PARTICIPANTS**

Directors and senior management of the Group who play a vital role in the medium to long-term development of the Company and the core staff and employees of the Group who have made long-term contributions to the Group.

The list of qualified Selected Participants shall be prepared by the Remuneration Committee after considering (i) the positions of the Selected Participants in the Group; (ii) the tenure of the Selected Participants in the Group; and (iii) internal recognitions, honors and/or rewards (if any) received by the Selected Participants, which shall then be submitted to the Board for its consideration and approval. Subject to the Companies Act and any requirements of the Stock Exchange, the Remuneration Committee has the right to make any corresponding adjustments to the final list of Selected Participants based on the actual level of subscription by the Selected Participants. Each Selected Participant must have entered into an employment contract or engagement contract with the Group during the Evaluation Period.

## **MEANS OF INCENTIVE AND SOURCE OF AWARDED SHARES**

The incentive method of the Share Award Plan is to grant Awarded Shares to the Selected Participants and the source of underlying Shares under the Share Award Plan will be new Shares to be issued by the Company, subject to the provisions of the Companies Act and the Constitution.

The Awarded Shares, when issued and fully paid, shall subject to the Constitution rank *pari passu* with the Shares allotted and issued.

## **NUMBER OF AWARDED SHARES**

Up to 120,000,000 Awarded Shares, representing approximately 9.85% of the total issued Shares as at the Adoption Date and approximately 8.96% of the total issued Shares as enlarged by the allotment and issue of Awarded Shares (assuming there will be no other changes to the shareholding structure of the Company prior to the adoption of the Share Award Plan).

## GRANT PRICE

HK\$1.50 per Share, which is not less than the higher of:

- (i) 46.43% of the closing price of the Shares as quoted on the Stock Exchange as at the date of the Announcement; and
- (ii) 46.43% of the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of the Announcement.

The Grant Price was determined with reference to the following:

1. The purpose of the Company's implementation of Share Award Plan is to promote the Company's development and better safeguard the interests of Shareholders. Based on the above purpose, the Grant Price and pricing method are determined by comprehensively considering certain factors including the difficulty of achieving the targets, the strength of incentives and the team's ability to make contributions.
2. In line with the principle of balance between incentives and restrictions, the Company has set its performance growth targets in the Share Award Plan, which requires employees to give full play to their subjective initiative and creativity. The Awarded Share(s) shall be an incentive to the extent of fulfilling the performance growth requirements.

The assessment condition of the Share Award Plan is based on the annual performance in 2023. To achieve such target, the Company shall expand its scope of sales and customer base in a saturated market through accurate market research at the early stage and diversified marketing strategies, so as to increase sales, which requires the efforts of the entire core team and strong execution.

As a traditional fertiliser manufacturing enterprise, the market of the entire industry is highly saturated, with loose supply and demand and fierce competition. In response to market demands and changes, the Group shall continue to improve production efficiency and product quality through research and development (R&D) to maintain its industry competitive position. R&D on new technology requires a lot of investment in time, manpower and funds. It also needs to adjust the product structure and develop new products based on the market demand. The equity incentive is provided for the core personnel from the production and R&D teams of the Company, so as to help the Company retain core professional and technical talents.

In order to fulfil the vesting conditions for the Share Award Plan, the Company will need to produce at full capacity and expand its scope of sales, which is a big challenge for the Company. Given the difficulty of achieving such goal and to give full effect to the incentive and after taking into consideration all such consideration and having reference to the requirements

of the Listing Rules and the practice of equity incentives among comparable companies in the same industry, the Company has set the Grant Price at HK\$1.50 per Share, which is conducive to the sustainable development of the Company.

3. As the industry and talent competition intensify, the attraction, motivation and retention of talents have become a crucial issue in enterprise operations. The implementation of the restricted equity incentive is one of the important methods to achieve the aforementioned objectives. The implementation of the equity incentive serves an effective supplement to the corporate compensation incentives. The income of incentive recipients depends on the Company's operating results, the development of the capital market, and the share price in the secondary market. It ensures a high level of consistency between the interests of employees and shareholders.

In summary, the pricing basis and pricing method relating to the Grant Price of the Awarded Shares are reasonable and conducive to the Company's sustainable development. It does not prejudice the interests of the Shareholders but rather maximise their interests, resulting in creating greater value for the Shareholders.

## **VALIDITY PERIOD**

The validity period of the Share Award Plan shall be for a term of 10 years commencing from the Adoption Date, and after the expiry of such 10-year term, no further Awards may be made but these rules of the Share Award Plan shall remain in full force and effect to the extent necessary to give effect to any Awards made prior thereto.

## **ADMINISTRATION**

The Share Award Plan shall be subject to the administration of the Board or the Committee.

## **PERFORMANCE TARGETS**

Awards are subject to the performance-based vesting conditions. The Awarded Shares shall be vested upon fulfilment of the following performance targets by the Company and the relevant individual Selected Participant(s):

### **(A) Performance target of the Company**

The Company will evaluate its performance indicators of respective year and assess whether the performance evaluation target (as one of the conditions for vesting of the Awarded Shares to Selected Participants for the respective year) has been met. The specific evaluation conditions are as follows:

## **Vesting**

## **Condition**

### First Vesting Period

Based on the Company's annual performance for the year ended 31 December 2023, the Company's audited financial statements in 2024 will have a growth rate in revenue of not less than 2%, or the net profit of not less than RMB1.65 billion.

### Second Vesting Period

Based on the Company's annual performance for the year ended 31 December 2023, the Company's audited financial statements in 2025 will have a growth rate in revenue of not less than 4%, or the net profit of not less than RMB1.8 billion.

## **(B) Targets of individual performance evaluation**

Selected Participants must continue to work in the Group during the relevant Vesting Period, and should meet the following conditions:

- (i) In the preceding year prior to the Vesting Date, the Selected Participant has signed a target responsibility letter in accordance with the requirement of the Company, and has been assessed as qualified, and approved by the Board or the Committee;
- (ii) There is no serious violation of the management system of the Company, and there must be no behaviour that causes huge economic losses to the Company, or has severe negative impact on the Company, and is notified and punished by the Company;
- (iii) The employment contract has not been terminated by the Company due to personal reasons;
- (iv) There are no circumstances in which he/she shall not be eligible for being a Selected Participant due to violation of the Company Law and relevant laws and regulations of the capital market.

## **VESTING PERIOD**

Subject to the Companies Act, the Constitution and the Listing Rules, the Board or the Committee may from time to time, at its discretion, determine the earliest vesting date and other subsequent date(s), if any, upon which the Awarded Shares (or the net sale proceeds thereof) held by the Trustee upon trust and which are referable to a Selected Participant shall vest in that Selected Participant provided that the Awarded Shares that are available for vesting for each Vesting Period shall be as follows:

<b>Performance period</b>	<b>Vesting Period</b>	<b>Percentage of Awarded Shares available for vesting</b>
Year ending 31 December 2024	First Vesting Period	50% of the Awarded Shares of relevant individual Selected Participant
Year ending 31 December 2025	Second Vesting Period	Remaining 50% of the Awarded Shares of relevant individual Selected Participant

None of the Awarded Shares has a vesting period which is less than 12 months. The Board considered that the conditions for the Vesting and the Vesting Period can prevent any possible short-sighted behaviors by the Selected Participants to boost the Group's short-term performance at the expense of the Company's long-term growth. The vesting period of the Share Award Plan is in line with market practice whereby share awards are vested in batches over years based on the Company's medium to long term development goals and the vesting mechanism of the Share Award Plan would make the remuneration package of the Group more attractive such that the Group would be in a more advantageous position to retain talents to continuously serve the Group. As such, the Board is of the view that the conditions for the Vesting and the Vesting Period align with the purpose of the Share Award Plan.

The Board will appoint the Trustee, who shall be an independent third party, to hold the Awarded Shares and manage the trust for the benefits of the Selected Participants and in accordance with the terms and conditions of the Trust Deed. The Directors do not have any direct or indirect interests in the Trustee, or have any role or position in the Trustee. The Trustee shall hold the Awarded Shares on trust for the relevant Selected Participants until such Awarded Shares are vested to the relevant Selected Participants under the Share Award Plan. The Trustee holding the unvested Awarded Shares shall abstain from voting on matters that require shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

## **CONDITIONS**

Allotment and issue of Awarded Shares to the Selected Participants is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at a general meeting to approve the adoption of the Share Award Plan and authorising the Directors to grant Awards thereunder and to allot, issue and deal with Shares pursuant to the grant of any Awards in accordance with the terms and conditions of the Share Award Plan;

- (ii) the Listing Committee granting the approval of the listing of, and permission to deal in such number of Shares representing the Plan Mandate Limit to be allotted and issued by the Company pursuant to the grant of Awards in accordance with the terms and conditions of the Share Award Plan; and
- (iii) the issue of the Awarded Shares by the Directors being duly approved in accordance with Section 161 of the Companies Act.

## **REASONS FOR AND BENEFITS OF PROPOSED ADOPTION OF SHARE AWARD PLAN**

The Remuneration Committee has reviewed the Share Award Plan and having considered (i) qualification of the Selected Participants; (ii) the total number of the Awarded Shares to be issued; and (iii) the performance targets and the Vesting Period, the Remuneration Committee is of the view that the terms of the Share Award Plan are fair and reasonable and recommended the Board to approve the adoption of the Share Award Plan.

## **LISTING RULES IMPLICATIONS**

Pursuant to Chapter 17 of the Listing Rules, the Share Award Plan will constitute a share scheme which must be approved by the Shareholders at the general meeting. Accordingly, the proposed adoption of the Share Award Plan will be subject to the Shareholders' approval at the general meeting. The Company will convene the general meeting to consider and, if thought fit, approve the adoption of the Share Award Plan.

A circular containing, among other things, details of the Share Award Plan (including principal terms of the Share Award Plan), and the notice of the general meeting, will be despatched to the Shareholders as and when appropriate in accordance with the requirements of the Listing Rules.

## **DEFINITIONS**

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

“Adoption Date”	the date on which the Share Award Plan is adopted by the Shareholders
“Award”	a provisional award of the Awarded Shares made in accordance with the Share Award Plan
“Awarded Share(s)”	the Share(s) at the Grant Price provisionally awarded to a Selected Participant pursuant to an Award
“Board”	the board of Directors of the Company

“Committee”	the person(s) from time to time delegated by the Board with the power and authority to administer the Share Award Plan in accordance with the Share Award Plan
“Companies Act”	the Companies Act 1967 of Singapore, as amended, modified or supplemented from time to time
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Constitution”	the Constitution of the Company as amended, modified or supplemented from time to time
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	the Employee Participant(s) and, for the purposes of the Share Award Plan, the Award may be made to any company wholly owned by one or more of the above participant or any trust which the settlor is the above participant
“Employee Participant(s)”	any director, senior management, the core staff and employee (whether full time or part-time) of the Company or the Group
“Evaluation Period”	each of the three years ending 31 December 2025
“Grant Date”	the date on which the Company will provisionally allot and issue Awarded Shares (as held by the Trustee on behalf of the Selected Participants) to the Selected Participants after approval for the implementation of the Share Award Plan has been obtained, which must be a trading day
“Grant Price”	the price of each Awarded Share to be granted to the Selected Participant, i.e. HK\$1.50 per Share
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Committee”	the Listing Committee of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which only for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Remuneration Committee”	the remuneration committee of the Board for the time being
“RMB”	Renminbi, the lawful currency of the PRC
“Selected Participant(s)”	any Eligible Participant for whom Shares have been provisionally set aside pursuant to an Award
“Share(s)”	Ordinary share(s) in the capital of the Company or if there is a subsequent subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the equity share capital of the Company after such subdivision, consolidation, reclassification or reconstruction
“Share Award Plan”	the proposed share award plan to be adopted by the Company at the general meeting
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in Section 5 of the Companies Act
“trading day”	in relation to securities and other products which are traded on the Stock Exchange, a day on which trading is conducted on the Stock Exchange
“Trust Deed”	the trust deed to be entered into between the Company as settlor and the Trustee as trustee in respect of Shares and other trust fund (if any) to be held by the Trustee subject to the terms thereof, as amended from time to time
“Trustee”	Tricor Trust (Hong Kong) Limited, the trustee to be appointed by the Board who is independent from the Company and its connected persons as at the date of this announcement for the administration of the Share Award Plan

“Vesting Date”	in relation to any Selected Participant, the date on which the legal and beneficial ownership of the Awarded Shares are vested in such Selected Participant pursuant to an Award pursuant to the Share Award Plan
“First Vesting Period”	in relation to any Selected Participant, the period commencing on the first trading day after 12 months from the Grant Date and ending on the Vesting Date which being the last trading day within 24 months from the Grant Date (both dates inclusive)
“Second Vesting Period”	in relation to any Selected Participant, the period commencing on the first trading day after 24 months from the Grant Date and ending on the Vesting Date which being the last trading day within 36 months from the Grant Date (both dates inclusive)
“Vesting Period”	collectively, the First Vesting Period and the Second Vesting Period
“%”	per cent.

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

Hong Kong, 5 February 2024

*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, Mr. Ong Wei Jin and Mr. Li Hongxing.*

\* *for identification purpose only*