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新疆天業節水灌溉股份有限公司
XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 840)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021**

References are made to the annual report of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the circular of the Company dated 21 June 2021 in respect of the Capital Increase Agreement (the “**Circular**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the 2021 Annual Report and the Circular.

In addition to the information disclosed in the section headed “Notes to Consolidated Financial Statements — VI. Modification of Consolidation Scope — (I) Business combinations not under common control — 1. Business combinations not under common control occurred during the period — (2) Other Information” on page 185 of the 2021 Annual Report, the Board, pursuant to Rule 14.36B to the Listing Rules, hereby provides further information in relation to the performance of the income guarantee provided by the Target Company.

PERFORMANCE OF INCOME GUARANTEE

As disclosed in the section headed “Income Guarantee and Equity Transfer” of the Circular, pursuant to the Capital Increase Agreement, upon Completion, the Target Company is required to guarantee (the “**Income Guarantee**”) that its subsequent annual (i) operating revenue after tax will not be less than the amount as audited in the previous accounting year and (ii) the return on net assets (i.e. net profit/net assets) will not be less than 12%. The guarantee period under the Capital Increase Agreement covers each corresponding period and year after the Completion date (i.e. commencing from 23 June 2021).

The Completion has taken place on 23 June 2021. Since Ms. Deng and Mr. Li controlled and operated the Target Company prior to the Completion and the Company only participated after the Completion, it was intended that only post-completion risks and benefits will be attached to the Company; also, it was uncertain as to when the Completion would take place at the time when the Capital Increase Agreement was entered into. Therefore, it was the Parties' mutual intention that pro-rata figures of annual operating revenue after tax and the net profit of the Target Company of the corresponding post-completion period should be used, instead of taking the operating revenue of the entire year, when determining if the Income Guarantee of the year 2021 has been satisfied.

Set out below are the corresponding figures extracted from the audited financial statements of the Target Company and the requirements of the Income Guarantee under the Capital Increase Agreement:

	Requirements of the Income Guarantee for the year ended December 2021	Figures with reference to the period from June to December 2021 for the year ended December 2021
Operating revenue after tax	Not less than approximately RMB357,917,000 ¹	approximately RMB456,195,000
Return on net assets ratio	12%	19.4% ²

¹ being the corresponding pro-rata operating revenue after tax for the year ended December 2020.

² the return on net assets ratio is calculated based on the net profit of the Target Company concerning June 2021 to December 2021 (approximately RMB1,434,000) divided by the net asset value of the Target Company as at 31 December 2021 (approximately RMB12,653,000), and applying the ratio pro-rata for the year ended December 2021.

As such, the requirements of Income Guarantee in respect of operating revenue after tax and the return on net assets ratio under the Capital Increase Agreement have been met for the year 2021.

Save as disclosed in this announcement, all other information contained in the 2021 Annual Report remains unchanged.

By Order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Li He
Chairman

Hong Kong, 3 November 2022

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li He (Chairman), Ms. Yang Ling and Mr. Jiang Dayong, and four independent non-executive Directors, namely Mr. Li Lianjun, Ms. Gu Li, Mr. Hung Ee Tek and Mr. He Xinlin.

* *For identification purposes only*