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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)**

**DISCLOSEABLE TRANSACTION AND  
CONNECTED TRANSACTION  
ACQUISITION OF TARGET COMPANY**

**Independent Financial Adviser to Independent Board Committee and  
Independent Shareholders**



**INCU Corporate Finance Limited**

On 30 November 2023, the Company (as the Purchaser) and Tianye Group (as the Vendor) entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire, and Tianye Group has conditionally agreed to sell, the Target Company at a consideration of RMB20,161,900.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tianye Group is a controlling shareholder of the Company holding approximately 60.42% of the issued share capital of the Company directly, and Tianye Group is therefore a connected person of the Company. The Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and the Acquisition also constitutes a connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EXTRAORDINARY GENERAL MEETING**

An Independent Board Committee of the Company comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Acquisition is fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition is fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

An extraordinary general meeting of the Company will be held to consider and approve, among other things, the ordinary resolution in respect of the Acquisition. A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee in relation to the Acquisition; (iii) the advice from the Independent Financial Adviser in relation to the Acquisition; (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, is expected to be dispatched to the Shareholders on or before 21 December 2023 and published on the websites of the Stock Exchange and the Company.

**The Acquisition is subject to the fulfillment of certain conditions precedent set out in the Equity Transfer Agreement, and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### **INTRODUCTION**

The Board is pleased to announce that on 30 November 2023, the Company (as the Purchaser) and Tianye Group (as the Vendor) entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire, and Tianye Group has conditionally agreed to sell, the Target Company at a consideration of RMB20,161,900.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of Tianye Group. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial results of the Group.

## **EQUITY TRANSFER AGREEMENT**

Major terms of the Equity Transfer Agreement are set forth as follows:

Date : 30 November 2023

Parties : 1. the Company (as the Purchaser); and  
2. Tianye Group (as the Vendor)

Subject Matter : In accordance with the terms and conditions of the Equity Transfer Agreement, the Company has conditionally agreed to acquire, and Tianye Group has conditionally agreed to sell, the entire equity interest in the Target Company.

Consideration : The consideration of the Acquisition is RMB20,161,900.

The aforesaid consideration was determined after arm's length negotiations between the Company and Tianye Group with reference to the appraised market value of RMB20,161,900 of the entire equity interest in the Target Company on the Valuation Benchmark Date, which was appraised by the PRC Independent Valuer using the asset-based valuation approach in the Asset Valuation Report.

The aforesaid consideration will be financed by the Group's internal resources.

Payment terms : The consideration shall be paid by the Company in a lump sum by cash to such an account as designated by Tianye Group within fifteen working days with effect from the Equity Transfer Agreement.

Conditions Precedent : The Equity Transfer Agreement shall take effect upon fulfilment of all of the following conditions:

1. the Equity Transfer Agreement having been duly executed and sealed by the Company and Tianye Group;
2. the Acquisition having been approved by the board of directors of the Company in accordance with the Articles of Association;

3. the Acquisition having been considered and approved by the shareholders of the Target Company;
4. the Asset Valuation Report having been filed with the competent state-owned asset regulatory authority, and the Acquisition having been approved by Tianye Group;
5. the Equity Transfer Agreement and the transactions as contemplated thereunder having been approved by the relevant regulatory authorities; and
6. The Company having complied with the relevant requirements under the Listing Rules in respect of the Equity Transfer Agreement and the transactions as contemplated thereunder, including but not limited to making a report to the Stock Exchange, issuing an announcement, and obtaining approval from the Independent Shareholders in respect of the Equity Transfer Agreement.

Upon satisfaction of the aforesaid conditions precedent, the Company and Tianye Group will complete the Acquisition on the Date of Completion, in which case Tianye Group shall actively cooperate and assist the Company in completing the filing and registration procedures, including but not limited to, industrial and business registration and taxation registration.

As at the date of this announcement, the items 1–4 conditions precedent set out in the Equity Transfer Agreement have been fulfilled.

Transitional Period Arrangement : Prior to the Date of Completion, Tianye Group continues to be the shareholder of the Target Company, who is entitled to the relevant shareholder's rights and assumes the corresponding shareholder's obligations. Upon the Date of Completion, the Company shall be entitled to the relevant shareholder's rights and assume the corresponding shareholder's obligations as the shareholder of the Target Company. In other words, during the Transitional Period, Tianye Group shall be responsible for the profit or loss of the Target Company in proportion to its shareholding percentage.

- Termination : In accordance with the Equity Transfer Agreement, the Equity Transfer Agreement will forthwith be terminated or cancelled in any of the following circumstances:
1. the performance of the Equity Transfer Agreement is delayed or rendered impossible due to force majeure;
  2. the Equity Transfer Agreement is terminated by mutual agreement between the Company and Tianye Group; and
  3. without prejudice to other terms and conditions of the Equity Transfer Agreement, if, prior to the completion of the transfer of the entire equity interest of the Target Company, the Company or Tianye Group is in possession of sufficient evidence to prove that any representations, warranties and undertaking given by the other party under the Equity Transfer Agreement are untrue, misleading, or have not been fulfilled, the non-defaulting party shall have the right to notify the defaulting party in writing, and the defaulting party shall unconditionally agree to terminate the Equity Transfer Agreement.

## **BASIS OF DETERMINATION OF THE CONSIDERATION**

The consideration was determined after arm's length negotiations between the Company and Tianye Group with reference to the corresponding appraised market value of the Target Company on the Valuation Benchmark Date, which was appraised by the PRC Independent Valuer. The Board understands that the asset-based approach was finally adopted by the PRC Independent Valuer for the valuation of the Target Company, and the PRC Independent Valuer has considered all commonly adopted valuation approaches in the market (namely market approach, income approach and asset-based approach) for the purpose of determining the valuation of the Target Company.

Given that the principal business of the Target Company is agricultural technology development and promotion, irrigation services, sales of plastic products, steel, construction materials, agricultural and livestock products, machinery equipment and chemical products (excluding dangerous chemicals and Class I precursor chemicals), crop cultivation, cargo handling, agency services and technology import and export, there are only a small number of comparable companies based on the selection criteria of listed comparable companies with sufficient public available information, which are relatively different from the Target Company in terms of main products, enterprise scale and business composition. As a result, the market approach was not appropriate in the valuation as the comparability requirement cannot be met.

The income approach was not appropriate in the valuation as it was difficult to objectively and reasonably predict the expected returns brought by the overall profitability of the Target Company, and it was challenging to qualitatively judge or roughly quantify the risks associated with the future income generation for the appraised entity, which failed to provide a basis for the estimation of discount rates.

As such, the asset-based approach was considered to be the most appropriate valuation approach in the valuation, since under the asset-based approach, the appraised value of the Target Company is determined based on the balance sheet of the Target Company, which is more capable of showing the real value of the Target Company.

## **BACKGROUND INFORMATION ABOUT TARGET COMPANY**

The Target Company is a company legally established and subsisting with limited liability in China on 15 April 2010. As at the date of this announcement, its registered capital and paid-in capital are both RMB50,010,000. Its business scope includes engineering management services, service, development, consultation, exchange, transfer and promotion of related technologies; software development; information system integration services; irrigation services; sales of agricultural, forestry, animal husbandry, sideline and fishery professional machinery; primary processing of edible agricultural products; machinery and equipment leasing; import and export of goods; cultivation of vegetables, fruits and grains; agricultural professional and auxiliary activities; manufacturing of construction metal fittings, construction materials, plastic products, coatings (excluding dangerous chemicals), lightweight building materials, metal structures, heat insulation and sound insulation materials, construction steel products, construction blocks, architectural decorative materials, chemical products (excluding licensed chemical products), and plastic products; non-residential real estate leasing; internet sales (excluding goods requiring sales permits); technology import and export; fertilizer and grain sales; retail of fresh fruits; wholesale of fresh vegetables; and construction of landscaping projects. To the best of our Directors' knowledge, information and belief after making all reasonable enquiries, Tianye Group contributed RMB50,010,000 in the establishment of the Target Company, a wholly-owned subsidiary of Tianye Group, on 15 April 2010.

## FINANCIAL INFORMATION ABOUT TARGET COMPANY

Set out below are major financial data extracted from the financial information of the Target Company for the six months ended 30 June 2023 and the two financial years ended 31 December 2022 and 31 December 2021 based on the latest financial information of the Target Company available to the Company as at the date of this announcement:

	<b>For the six months ended 30 June 2023 (Audited) RMB</b>	<b>For the year ended 31 December 2022 (Audited) RMB</b>	<b>For the year ended 31 December 2021 (Audited) RMB</b>
Net profit/(loss) before tax	(1,149,290.88)	(3,377,542.09)	(1,327,555.96)
Net profit/(loss) after tax	(798,166.92)	(3,088,638.27)	(1,067,346.19)

As at 30 June 2023, the audited total asset and net asset of the Target Company were RMB29,246,200 and RMB20,062,100, respectively.

Based on the valuation on the Target Company by the PRC Independent Valuer, the appraised market value of the Target Company on the Valuation Benchmark Date was RMB20,161,900.

## FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Immediately following completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company is principally engaged in agricultural services such as agricultural technology development, technology promotion, and irrigation services, and currently holds a second-level qualification for municipal construction general contracting and qualifies for labour subcontracting, which aligns with the major business nature of the Company, and can undertake high-standard farmland construction projects in the North China region, Beijing-Tianjin-Hebei region, and coastal areas.

The Company has already won bids for 150,000 mu of high-standard farmland projects in the North China region. Since the Company does not possess a second-level qualification for construction general contracting, it is unable to independently commence the construction of large-scale high-standard farmland projects in the North China region and relies on other construction companies, resulting in lower gross profit of the projects. After the acquisition of the Target Company, the Company will be able to utilise the Target Company's second-level qualification for municipal construction general

contracting to undertake high-standard farmland projects and commence construction, which will greatly increase the gross profit of the projects and improve the Company's overall economic benefits. There is huge market for high-standard farmland construction in the PRC. The acquisition of the Target Company represents our resource integration efforts, serving as the Company's bastion in the North China region to facilitate our active exploration of the national farmland construction business market, which will greatly increase the profit level of the Company.

Based on the Company's strategic plan of "Product + Engineering", water conservancy projects constitute the major focus of our business development. The acquisition of the Target Company will enable the Company to better implement its "excursion" deployment strategy, by consolidating and integrating resources nationwide to expand its presence in the national farmland construction business market. It will also facilitate the expansion of our "modern agriculture" business market. Meanwhile, we can take advantage of Beijing's resources to collaborate with various research institutions and technology companies in water-saving technology research and engineering design. This will enhance the core competitiveness of our Company and fully promote our high-quality profitability development.

The Board believes that the Acquisition will effectively expand our business operations and the production capacity related to our farmland construction business, extend the industrial chain, and accelerate the nationwide development of our engineering business. It is beneficial for safeguarding the interests of our shareholders and achieving a mutually beneficial cooperation between the Company and the Target Company.

In light of the above, despite the loss recorded by the Target Company for the two years ended 31 December 2021 and 31 December 2022, the Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) is of the view that the Acquisition is fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole notwithstanding that the Acquisition is not in the ordinary and usual course of business of the Company.

#### **OPINIONS OF DIRECTORS ON THE ACQUISITION AND ABSTENTION FROM VOTING ON THE RESOLUTION BEFORE THE BOARD**

The Directors (other than the independent non-executive Directors whose opinion will be provided after reviewing the advice of the Independent Financial Adviser) believe that the Acquisition is determined on normal commercial terms that is fair and reasonable and in the interests of the Company and its Shareholders as a whole, notwithstanding that the Acquisition is not in the ordinary and usual course of business of the Company.

Mr. Han Gen and Mr. Jiang Dayong, executive Directors of the Company, have abstained from voting on the approval of the Acquisition at the meeting of the Board, as they have material interests therein due to their positions as director of agricultural operations and assistant general manager in Tianye Group, respectively. Save as disclosed above, none of the Directors have material interests in the Acquisition.

## **INFORMATION ABOUT TIANYE GROUP AND THE COMPANY**

Tianye Group is mainly engaged in the manufacturing and sales of chlor-alkali; sales of sulfuric acid, hydrochloric acid, sodium hydroxide (protopine, alkali, solid caustic soda, caustic soda), calcium hypochlorite, sodium hypochlorite, lime, high boiling materials (dichloroethane); transportation of in-road general cargos; manufacturing and sales of 1,4-butanediol, glycol, chemicals, solid mercury catalysts, cement and cement products, plastic products, calcium carbonate and sodium carbonate; sales of steel, building materials, livestock products, machinery and equipment and chemical products; promotion of farming, aquaculture, water-saving agriculture technologies, research of water-saving agriculture technologies, import and export, international freight forwarding, property management, rail transportation through self-built railways; loading and unloading and handling, testing equipment technology consulting and services, machinery and equipment leasing services, processing and manufacturing of moulds and spare parts; advertisement design, production, publishing and agency; warehousing services (other than for hazardous chemicals), domestic freight forwarding agency services, customs clearance and inspection services, development and sales of computer software, information technology services and consultation, information system integration engineering, network cabling engineering, automation control system, sales, installation and maintenance of industrial monitoring equipment, design, production and maintenance of websites; agricultural planning and design, agricultural technology research and promotion, plantation and sales of crops, agricultural product processing and sales; engineering design, construction, contracting, and technology transfer; thermal power generation; heat supply; sales of electricity and steam; electrical testing; vehicle leasing; catering services; sales of calcium carbide, coal and coal products; and sales of mineral products and metal materials. As at the date of this announcement, Tianye Group is owned as to 90% and 10% of its registered capital by the Xinjiang Production and Construction Corps Eighth Division SASAC\* (新疆生產建設兵團第八師國資委) and the State-owned Assets Supervision and Administration Commission of Xinjiang Production and Construction Corps\* (新疆生產建設兵團國有資產監督管理委員會), respectively.

The Company and its subsidiaries are principally engaged in the design, manufacturing and sales of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation systems, and are also engaged in the provision of installation services of water saving irrigation systems for its customers, as well as land circulation and engineering business, and strategic development of digital agriculture and agriculture service business.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tianye Group is a controlling shareholder of the Company holding approximately 60.42% of the issued share capital of the Company directly, and Tianye Group is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and the Acquisition also constitutes a connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING AND ABSTENTION FROM VOTING AT EXTRAORDINARY GENERAL MEETING**

An Independent Board Committee of the Company comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Acquisition is fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

An extraordinary general meeting of the Company will be held to consider and approve, among other things, the ordinary resolution in respect of the Acquisition. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition is fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

To the best knowledge, information, and belief of the Directors, as at the date of this announcement, save for Tianye Group and its associates, no other Shareholders shall be required to abstain from voting at the extraordinary general meeting, and the vote to be taken at the extraordinary general meeting in respect of the Acquisition shall be conducted by poll.

## **GENERAL**

A circular containing, among other things, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee in relation to the Acquisition; (iii) the advice from the Independent Financial Adviser in relation to the Acquisition; (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, is expected to be dispatched to the Shareholders on or before 21 December 2023 and published on the websites of the Stock Exchange and the Company.

**The Acquisition is subject to the fulfillment of certain conditions precedent set out in the Equity Transfer Agreement, and may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

Unless the context otherwise requires, the following terms in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the entire interest in the Target Company as contemplated under the Equity Transfer Agreement
“Articles of Association”	the articles of association of the Company as may be amended from time to time
“Asset Valuation Report”	The Asset Valuation Report (Jingkun Ping Bao Zi [2023] No.0780) by the PRC Independent Valuer of the Value on the Valuation Benchmark Date of the Entire Equity Interest Held by the Shareholders of Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* Involved in the Equity Transfer Proposed by Xinjiang Tianye (Group) Limited* (京坤評報字[2023]0780號《新疆天業(集團)有限公司擬轉讓股權涉及的北京天業國際農業工程科技有限公司股東全部權益價值資產評估報告》)
“associate(s)”	has the meaning as defined under the Listing Rules
“Board”	the board of directors
“business days”	any day (other than Saturday, Sunday, or public holiday) on which the banks in Hong Kong and the PRC are open for general commercial business
“Company”	Xinjiang Tianye Water Saving Irrigation System Company Limited* (新疆天業節水灌溉股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed and traded on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as defined under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

“Date of Completion”	any day within 5 business days after the date on which all the conditions precedent have been fulfilled or such other date as the Company and Tianye Group may mutually agree in writing
“Directors”	the directors of the Company
“Domestic Share(s)”	domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB
“Eighth Division SASAC”	the State-owned Assets Supervision and Administration Commission of the Xinjiang Production and Construction Corps Eighth Agricultural Division
“Equity Transfer Agreement”	the equity transfer agreement entered into by the Company and Tianye Group on 30 November 2023 in relation to the Acquisition
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign invested share(s) of nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Stock Exchange and subscribed for and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors
“Independent Financial Adviser”	INCU Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Acquisition
“Independent Shareholders”	Shareholders other than Tianye Group and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Independent Valuer”	Beijing KYSIN Assets Appraisal Co., Ltd
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H Shares, the Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company
“Shareholders”	the registered holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* (北京天業國際農業工程科技有限公司), a company with limited liability established in accordance with the laws of the PRC. It is a wholly-owned subsidiary of Tianye Group as at the date of this announcement
“Tianye Group”	Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司), a company established in the PRC with limited liability on 28 June 1996, which is owned as to 90% and 10% by the Eighth Division SASAC and the State-owned Assets Supervision and Administration Commission of Xinjiang Production and Construction Corps* (新疆生產建設兵團國有資產監督管理委員會), respectively. Tianye Group is directly interested in approximately 60.42% of the issued share capital of the Company as at the date of this announcement
“Transitional Period”	from the Valuation Benchmark Date to the Date of Completion

“Valuation Benchmark Date” 30 June 2023

“%” per cent

By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Zhou Gang**  
*Chairman*

Xinjiang, the PRC, 30 November 2023

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhou Gang (Chairman), Mr. Han Gen 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*