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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xinjiang Tianye Water Saving Irrigation System Company Limited\*, you should at once hand this circular, together with the enclosed forms of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)**

## I. DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION — ACQUISITION OF TARGET COMPANY; AND II. NOTICE OF EXTRAORDINARY GENERAL MEETING

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



**INCU Corporate Finance Limited**

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A letter from the Board is set out on pages 1 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from INCU Corporate Finance Limited, the Independent Financial Adviser, containing its recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 15 to 32 of this circular.

The notice for convening the extraordinary general meeting (“EGM”) of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Monday, 15 January 2024 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is dispatched on Friday, 29 December 2023, and published on the website of the Stock Exchange (<http://www.hkexnews.hk>). Whether or not you are able to attend the EGM, please complete and return the form of proxy in accordance with the instructions printed thereon to the Hong Kong H share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for the holders of H Shares only) or to the Company’s registered office at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meetings. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the meetings or any adjourned meeting(s) should you so wish.

\* For identification purposes only

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## TABLE OF CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	ii
<b>Letter from the Board</b> .....	1
<b>Letter from Independent Board Committee</b> .....	13
<b>Letter from INCU</b> .....	15
<b>Appendix I — Asset Valuation Report</b> .....	I-1
<b>Appendix II — General Information</b> .....	II-1
<b>Notice of Extraordinary General Meeting</b> .....	EGM-1

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## DEFINITIONS

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*Unless the context otherwise requires, the following terms in this circular 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 of the Company
“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

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Monday, 15 January 2024 at 10:00 a.m., for, among others, the Independent Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder
“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” or “INCUB”	INCUB 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
“Latest Practicable Date”	22 December 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information as contained therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“PRC”	the People’s Republic of China, and for the purpose of this circular, 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
“Substantial Shareholder(s)”	has the meaning as defined under the Listing Rules
“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 Latest Practicable Date
“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 Latest Practicable Date
“Transitional Period”	from the Valuation Benchmark Date to the Date of Completion
“Valuation Benchmark Date”	30 June 2023
“%”	per cent.



新疆天业节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)

*Executive Directors:*

Mr. Zhou Gang (*Chairman*)  
Mr. Han Gen  
Mr. Jiang Dayong

*Independent non-executive Directors:*

Mr. Li Lianjun  
Ms. Gu Li  
Mr. Hung Ee Tek  
Mr. He Xinlin

*Supervisors:*

Ms. Chen Ming  
Mr. Chen Cailai  
Mr. Xie Xinghui

*Registered office:*

No. 36, Bei San Dong Road,  
Shihezi Economic and Technological  
Development Zone,  
Shihezi,  
Xinjiang,  
PRC

*Principal place of business*

*in Hong Kong:*  
Room B102, Block B,  
10/F., International Industrial Building,  
No. 501–503 Castle Peak Road,  
Cheung Sha Wan,  
Kowloon, Hong Kong

29 December 2023

*To the Shareholders*

Dear Sir or Madam,

**I. DISCLOSEABLE TRANSACTION AND CONNECTED  
TRANSACTION — ACQUISITION OF TARGET COMPANY;  
AND  
II. NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 30 November 2023 in relation to, among other things, the Acquisition.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with (1) further details of the Equity Transfer Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition; (3) a letter from the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders containing advice in respect of the Acquisition; and (4) a notice convening the EGM.

### 2. 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;

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## LETTER FROM THE BOARD

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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 Latest Practicable Date, the items 1–4 conditions precedent set out in the Equity Transfer Agreement have been fulfilled. And none of the conditions precedent above is capable of being waived under the Equity Transfer Agreement.



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## LETTER FROM THE BOARD

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- 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.

### 3. 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 (in the amount of RMB20,161,900) 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.

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## LETTER FROM THE BOARD

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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.

For details of the valuation methodology and valuation assumptions adopted by the PRC Independent Valuer in preparing the Asset Valuation Report, please refer to the paragraphs headed “VII. APPRAISAL METHODS” and “IX. APPRAISAL ASSUMPTIONS” of the Asset Valuation Report as set out in Appendix I to this circular.

Having discussed with the PRC Independent Valuer the basis and rationale for different valuation approaches, and having considered the analysis of the PRC Independent Valuer in relation to the applicability of each appraisal method and approach and assumptions as explained above, the Board concurred with the PRC Independent Valuer’s analysis and adoption of the asset-based approach as the appropriate valuation methodology and considered that the valuation had fairly and reasonably reflected the market value of the entire equity interest in the Target Company.

As stated in paragraph headed “8. EXPERTS AND CONSENTS” in Appendix II to this circular, the PRC Independent Valuer, Beijing KYSIN Assets Appraisal Co., Ltd., is an independent certified PRC valuer with over 20 years of experience in asset valuation in the PRC, where the principal project officers competent in conducting valuation of the Target Company each have over 17 years of experience in PRC assets valuation, respectively. The valuer holds valid PRC qualification certificates for asset valuation and securities and futures related business valuation. Based on the above and having considered that (i) the qualifications and experience of the PRC Independent Valuer in relation to the preparation of the Asset Valuation Report; (ii) the scope of work for the valuation of the entire equity interest in the Target Company; (iii) the asset-based approach adopted was an appropriate valuation methodology and the valuation had fairly and reasonably reflected the market value of the entire equity interest in the Target Company; and (iv) the assumptions made by

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## LETTER FROM THE BOARD

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the PRC Independent Valuer for the valuation are in line with industry practices, the Directors (including all independent non-executive Directors, whose opinion is set forth in the letter from the Board included in this circular) are of the view that the consideration for the Acquisition and the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable to the Company and in the interests of the Company and its Shareholders as a whole.

#### 4. 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 Latest Practicable Date, 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.

#### 5. 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 Latest Practicable Date:

	<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)

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## LETTER FROM THE BOARD

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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.

### **6. 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.

### **7. 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 losses of the Target Company for the two years ended 31 December 2022 were attributed to the following factors: (i) the Target Company had a limited capacity to undertake new construction projects as at 31 December 2022 due to the adverse impact of the COVID-19 pandemic and the negative macroeconomic conditions; (ii) the Target Company has reported a significant decrease in the total operating income and has not recovered from the effect of the COVID-19 pandemic and related financial expenses; and (iii) in the year of 2021, the Target Company adjusted the income tax rates for previous years in relation to construction services, which resulted in corresponding accounting adjustments and subsequently led to a negative total operating income for the year ended 31 December 2021.

Besides, according to the statement of the PRC Independent Valuer on page I-22 of this circular, “the Appraised Entity has not been in operation for many years” merely refers to the fact that the operating conditions of the Target Company were unable to meet the conditions for the PRC Independent Valuer to apply the income approach in valuation of the Target Company (meaning that “I. the future income of the appraisal subject can be reasonably expected and measured in currencies; II. the risk corresponding to the expected income can be measured; and III. the income period can be determined or reasonably expected”). It does not mean the Target Company is non-operating. Specifically, “the Appraised Entity has not been in operation for many years” means that the Target Company has not been able to undertake new construction projects in the past few years, due to the effect of the COVID-19 pandemic.

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## LETTER FROM THE BOARD

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As at 31 December 2022, among the projects undertaken by the Target Company, one outstanding project (with the remaining contract sum of approximately RMB25 million) is pending the completion check and acceptance by the client, and it is expected that the Target Company will receive the corresponding contract payment following the client's acceptance. In the second half of 2023, the Target Company has been successfully awarded three new projects (with a total proposed contract size of RMB13 million), where revenue is expected to be generated depending on the construction progresses of the said new projects.

The Company has already won bids for 150,000 mu of high-standard farmland projects (with a total contract size of approximately RMB480 million) in the North China region. If the Group proceeds immediately with the awarded projects, it is expected that additional costs will be incurred for the current projects and potential similar projects in the future due to the lack of the required license of second-level qualification for the corresponding engineering, which includes expenses related to collaborating with relevant construction companies that possess the license of second-level qualification.

Despite the fact that the Company has a team of talents with second-level construction engineering qualifications and extensive construction experience, the Company is unable to independently commence the construction of large-scale high-standard farmland projects in the North China region as it does not possess license of the second-level qualification for construction general contracting, and relies on other construction companies, resulting in lower gross profit of the projects. After the acquisition of the Target Company, the Company will appoint management and business personnel to undertake high-standard farmland projects and commence construction by utilizing the Target Company's Grade II Qualification License for General Contracting of Municipal Construction, which will greatly reduce the related collaboration expenses with other construction companies, increase the profit margin 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", the water conservancy engineering segment constitute the major focus of our future 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, consolidate resources, extend the industrial chain, resolve the limitations of the Company's

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## LETTER FROM THE BOARD

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construction qualifications 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 (including all independent non-executive Directors whose opinion is set out in the Letter from the Independent Board Committee in this circular) 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.

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

The Directors (including all independent non-executive Directors whose opinion is set out in the Letter from the Independent Board Committee in this circular) 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.

### **9. 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,



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## LETTER FROM THE BOARD

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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 Latest Practicable Date, 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.

### 10. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

### 11. EGM AND ABSTENTION FROM VOTING AT EGM

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.

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## LETTER FROM THE BOARD

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To the best knowledge, information, and belief of the Directors, as at the Latest Practicable Date, save for Tianye Group and its associates (as stated in Appendix II to this circular, as at the Latest Practicable Date, holding 313,886,921 Domestic Shares, representing approximately 60.42% of the total issued share capital of the Company), no other Shareholders shall be required to abstain from voting at the EGM, and the vote to be taken at the EGM in respect of the Acquisition shall be conducted by poll.

### 12. EGM

The EGM will be held on Monday, 15 January 2024 at 10:00 a.m. at the conference room of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC.

The notice for convening the EGM at which the resolution mentioned above will be proposed is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM will be despatched on Friday, 29 December 2023, and published on the website of the Stock Exchange (<http://www.hkexnews.hk>). Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the H share registrar and transfer office of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. Friday, 12 January 2024 at 10:00 a.m.) or not less than 24 hours before the time appointed for the holding of any adjournment thereof or not less than 24 hours before the time appointed for taking the poll. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### 13. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for certain procedural or administrative matters to be decided by the chairman of the meeting, all votes of the Shareholders at the general meetings will be taken by poll. Accordingly, the chairman of the EGM will demand a poll for every resolution to be put to the vote at the EGM pursuant to the Articles of Association.

### 14. CLOSURE OF REGISTER OF MEMBERS

For the purpose of the EGM, the register of the members of the Company will be closed from Wednesday, 10 January 2024 to Monday, 15 January 2024 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the forthcoming extraordinary general meeting of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar and the transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Tuesday, 9 January 2024.



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## LETTER FROM THE BOARD

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### 15. RECOMMENDATION

The Company has appointed INCU as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement. The text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 32 of this circular.

The Directors consider that the proposed resolution as set out in the notice of EGM is in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the notice of EGM in respect thereof.

### 16. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully  
For and on behalf of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Zhou Gang**  
*Chairman*

\* *For identification purposes only*



新疆天业节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)

29 December 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND  
CONNECTED TRANSACTION  
IN RELATION TO ACQUISITION OF TARGET COMPANY**

We have been appointed as members of the Independent Board Committee to give our advice on the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) included in the circular dated 29 December 2023 (the “**Circular**”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular and the Letter from the Board unless the context otherwise requires.

INCU has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 15 to 32 of the Circular.

Having considered the terms and conditions of the Equity Transfer Agreement, reasons for and benefits of the Acquisition, the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder are entered into on normal commercial terms. The Equity Transfer Agreement is in the interests of the Company and the Shareholders taken as a whole, and the terms and conditions of the Equity Transfer Agreement are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned, notwithstanding that the Acquisition is not in the ordinary and usual course of business of

\* For identification purpose only

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**LETTER FROM INDEPENDENT BOARD COMMITTEE**

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the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

**Mr. Li Lianjun**  
*Independent  
non-executive  
Director*

**Ms. Gu Li**  
*Independent  
non-executive  
Director*

**Mr. Hung Ee Tek**  
*Independent  
non-executive  
Director*

**Mr. He Xinlin**  
*Independent  
non-executive  
Director*

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## LETTER FROM INCU

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*The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreement and the transaction contemplated thereunder.*



INCUB Corporate Finance Limited  
Unit 1402, 14/F, Winsome House,  
73 Wyndham Street,  
Central, Hong Kong

29 December 2023

*To: The Independent Board Committee  
and the Independent Shareholders of  
Xinjiang Tianye Water Saving Irrigation System Company Limited*

Dear Sirs or Madams,

### **DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF TARGET COMPANY**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board (the “**Letter from the Board**”) contained in the circular of the Company dated 29 December 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the announcement of the Company dated 30 November 2023, 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 entire equity interest in the Target Company at a consideration of RMB20,161,900.

As at the Latest Practicable Date, 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.

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## LETTER FROM INCU

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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.

Except for being appointed as independent financial adviser to the Company regarding (i) the revision of the existing scope and/or annual caps for the continuing connected transactions of the Company, which the circular has been despatched on 25 October 2023; (ii) the major and connected transaction in relation to the disposal of assets of the Group, which the circular has been despatched on 15 March 2023; and (iii) the discloseable and connected transaction in relation to the acquisition of 51% of equity interest in subject company, which the circular has been despatched on 12 January 2023, we have not acted as an independent financial adviser and as not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Acquisition, and accordingly, are eligible to give independent advice and recommendations on the Equity Transfer Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties that could reasonably be regarded as relevant to our independence.

### **INDEPENDENT BOARD COMMITTEE**

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Lianjun, Ms. Gu Li, Mr. Hung Ee Tek and Mr. He Xinlin, has been established to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement and as to whether the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, taking into account our recommendation.

As the Independent Financial Adviser, our role is to give independent opinions to the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have relied on the statements, information, opinions and representations relating to the operations, financial condition and prospects of the Group contained or referred to in this Circular and/or provided to us by the Company and the management of the Group. We have assumed that such information and any representation made to us were true, accurate and complete in all material respects as at the Latest Practicable Date and considered that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in this Circular have been arrived at after due and careful consideration and there are no other material facts not contained in this Circular, the omission of which would make any such statement made by them that contained in this Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld.

Our review and analyses were based upon, among others, the information provided by the Group including this Circular, the Asset Valuation Report prepared by the PRC Independent Valuer as set out in Appendix I of this Circular and certain published information from the public domain, including but not limited to, the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**Interim Report 2023**”). We have also discussed with the Directors and the management of the Group with respect to the terms of and the basis and assumptions adopted in the Asset Valuation Report and the reasons for and benefits of the Acquisition. We have not, however, for the purpose of this exercise, conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we carried out any independent verification of the information supplied.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into account the following principal factors and reasons:

### **1. Background and financial information of the Group**

#### ***(a) Background of Tianye Group and the Company***

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.

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## LETTER FROM INCU

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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 sale 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.

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**LETTER FROM INCU**

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**(b) Financial information of the Group**

Set out below is a summary of the financial performance of the Group for the two financial years ended 31 December 2021 (“**FY2021**”) and 31 December 2022 (“**FY2022**”) respectively as extracted from Annual Report 2022 and the six months ended 30 June 2022 (“**HY2022**”) and 30 June 2023 (“**HY2023**”) respectively as extracted from Interim Report 2023:

	<b>FY2021</b>	<b>FY2022</b>	<b>HY2022</b>	<b>HY2023</b>
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Operating Income</b>				
(a) Drip tape and drip assembles	50,938	37,997	27,211	41,990
(b) PVC/PE pipelines	285,668	164,141	105,772	115,899
(c) Project income (provision of installation services)	224,452	379,856	89,839	266,857
(d) Trading income	500,369	778,227	427,746	462,623
(e) Building material products	—	—	—	28,925
(f) Other operating income	<u>50,191</u>	<u>83,234</u>	<u>22,583</u>	<u>12,168</u>
<b>Total operating income</b>	<b>1,111,618</b>	<b>1,443,455</b>	<b>673,151</b>	<b>928,462</b>
<b>Profit/(Loss) from operations</b>	<b>(63,511)</b>	<b>(84,113)</b>	<b>(24,003)</b>	<b>7,962</b>
<b>Net profit/(loss) attributable to owners of the parent company</b>	<b>(66,836)</b>	<b>(78,176)</b>	<b>(24,514)</b>	<b>5,020</b>

*FY2021 vs FY2022*

As stated in the Annual Report 2022, the total operating income of the Group was approximately RMB1,443,455,000 for FY2022, representing an increase of approximately 29.85% from approximately RMB1,111,618,000 for FY2021. The increase in operating income was mainly attributable to the increase in (i) trading income, which increased by approximately 55.53% from approximately RMB500,369,000 for FY2021 to approximately RMB778,227,000 for FY2022; and (ii) project income, which increased by approximately 69.24% from approximately RMB224,452,000 for FY2021 to approximately RMB379,856,000 for FY2022.

However, the net loss attributable to owners of the parent company increased from approximately RMB66,836,000 for FY2021 to approximately RMB78,176,000 for FY2022, representing an increase of approximately 16.97%. According to the Annual Report 2022, such increase was mainly due



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## LETTER FROM INCU

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to the decrease in gross profit margin from approximately 6.23% for FY2021 to approximately 1.44% for FY2022 as the proportion of trading income increased for FY2022 as discussed above, and the gross profit margin of the trading income is relatively low.

### *HY2022 vs HY2023*

As stated in the Interim Report 2023, the total operating income of the Group was approximately RMB928,462,000 for HY2023, representing an increase of approximately 37.93% from approximately RMB673,151,000 for HY2022. The increase in the total operating income was mainly due to the increase in project income from the Group's engineering projects, which increased by approximately 197.04% from approximately RMB89,839,000 for HY2022 to approximately RMB266,857,000 for HY2023.

The Group recorded the unaudited net loss attributable to owners of the parent company of approximately RMB24,514,000 for HY2022 but unaudited net profit attributable to owners of the parent company of approximately RMB5,020,000 for HY2023. The turnaround was mainly due to (i) the net gain from disposal of assets of approximately RMB5,062,000 for HY2023; and (ii) the increase in gross profit resulting from the increase in income from engineering projects and sale of building material products.

Taking into account that (i) the improvement of the financial performance of the Group resulted from the increase in revenue of project income from the engineering projects; and (ii) the principal business of the Target Company can support the Group's construction projects which will be further discussed under the paragraph headed "5. Reasons for and benefits of the Acquisition" of this letter below, we consider that the Acquisition is an expansion of the existing business of the Group and is line with the Group's business strategy.

## **2. Background of the Target Company**

The Target Company is a company legally established and subsisting with limited liability in China on 15 April 2010. As at the Latest Practicable Date, 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

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## LETTER FROM INCU

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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 the 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.

Set out below are major financial data extracted from the financial information of the Target Company for FY2021, FY2022 and HY2023 based on the latest financial information of the Target Company available to the Company:

	<b>FY2021</b> <i>(RMB)</i> (audited)	<b>FY2022</b> <i>(RMB)</i> (audited)	<b>HY2023</b> <i>(RMB)</i> (audited)
Net loss before taxation	(1,327,555.96)	(3,377,542.09)	(1,149,290.88)
Net loss after taxation	(1,067,346.19)	(3,088,638.27)	(798,166.92)

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

We have enquired the management of the Company in respect of the loss making of the Target Company for FY2021, FY2022 and HY2023. Based on the information provided by the Company, the Target Company was loss making for FY2021, FY2022 and HY2023 mainly due to (i) lack of new construction projects and inactive in business leading to limited amount of operating income of the Target Company; (ii) the administrative expenses to maintain the daily operation of the Target Company; and (iii) the movement in the allowance for doubtful debts on receivables of the Target Company.

### **3. Principal terms of the Equity Transfer Agreement**

The principal terms of the Equity Transfer Agreement are set out as follows:

#### ***Date***

30 November 2023 (after trading hours)

#### ***Parties***

1. the Company (as the purchaser); and
2. Tianye Group (as the vendor)

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## LETTER FROM INCU

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### ***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 Company'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

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## LETTER FROM INCU

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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 Latest Practicable Date, the items 1–4 conditions precedent set out in the Equity Transfer Agreement have been fulfilled. None of the conditions precedent above is capable of being waived under the Equity Transfer Agreement.

### ***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,

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## LETTER FROM INCU

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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 (in the amount of RMB20,161,900) 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.

#### **4. Valuation of the Target Company**

As disclosed in the Letter from the Board, the consideration of the Acquisition 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 approach in the Asset Valuation Report.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of the engagement of the PRC Independent Valuer; (ii) the PRC Independent Valuer's background and qualification in relation to the preparation of the Asset Valuation Report; and (iii) the steps and due diligence measures taken by the PRC Independent Valuer for conducting the Asset Valuation Report. From the information provided by the PRC Independent Valuer and based on our discussion with them, we understand that the responsible officers of the PRC Independent Valuer for the valuation of the Target Company have over 17 years of experience in asset valuation in the PRC. Furthermore, the PRC Independent Valuer has provided a wide range of valuation services to numerous companies, including stated-owned enterprises, A-Share companies and Hong Kong-listed companies. In the past three years, the PRC Independent Valuer has provided 25 valuation services of business similar to the Target Company in different provinces in the PRC. Therefore, we were satisfied with the PRC Independent Valuer's qualification for preparation of the Asset Valuation Report.

According to the Letter from the Board, 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 significant differences between

the listed comparable companies and the Target Company in terms of main products, enterprise scale and business composition, with only a few comparable companies based on the selection criteria of listed comparable companies with sufficient public information. 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.

In assessing the fairness and reasonableness of the consideration of the Acquisition, we have reviewed the Asset Valuation Report and upon our further enquiry with the PRC Independent Valuer, we understand that the PRC Independent Valuer has adopted asset-based approach in arriving the appraised value of the Target Company after considering the following reasons as stated in the Asset Valuation Report:

***(1) Asset-based approach***

The asset-based approach refers to an appraisal method where the values of assets and liabilities in the financial statement and identifiable off-balance sheet of an enterprise are reasonably appraised on the basis of the balance sheet of the appraised entity on the benchmark date. The PRC Independent Valuer considered that the Target Company has a sound accounting and audit system as well as orderly management in place, and the quantity of assets subject to appraisal can be determined based on financial information and construction data, and can be verified through on-site investigation. Therefore, the PRC Independent Valuer concluded that the asset-based approach can be adopted for the valuation of the Target Company.

***(2) Income approach***

The income approach refers to an appraisal method where the expected income is capitalized or discounted to determine the value of the appraised subject. The specific approaches commonly used under the income approach include dividend discount approach and cash flow discount approach. The dividend discount approach is a specific approach where expected dividends are discounted to determine the value of the appraised subject, which is usually applicable to the appraisal of the partial equity interest of the shareholders who lack control rights. The cash flow discount model is a specific approach where expected future net cash flow is discounted to determine the value of the appraised subject, which includes the discounted enterprise free cash flow model and the

discounted equity free cash flow model. The PRC Independent Valuer considered that the Target Company has not been in operation for many years and its historical operation can hardly be used as a reference to predict its future annual revenue. It is difficult to qualitatively judge or roughly quantify the expected income and the risks associated with the future income of the Target Company, which cannot provide a basis for the estimation of discount rates. Therefore, the PRC Independent Valuer concluded that the income approach is not appropriate.

***(3) Market approach***

The market approach refers to the appraisal method where the appraised subject is compared against comparable listed companies or comparable transactions to determine the value of appraised subject. According to the Asset Valuation Report, based on the publicly released market information and other relevant materials of listed companies available on [www.cnlist.com](http://www.cnlist.com) (中國上市公司網) and the website of iFinD Information (同花順資訊網站), it is concluded that there are many listed companies operating in the same industry as the Target Company in the capital market of the PRC, which can satisfy the requirement of “quantity” of comparable companies (cases) in the appraisal by the market approach. However, among the listed companies operating in the same industry as the Target Company, based on the comparison with the Target Company in terms of the date of establishment and listing, business scope, business scale, main products, business composition, operation indexes, operation mode, operation stage, financial data or the purpose, time, situation, price and other factors in their transaction cases, it is concluded that there are significant differences between the listed companies and the Target Company in terms of main products, enterprise scale and business composition. The PRC Independent Valuer concluded that the Target Company is basically not comparable with the comparable listed companies, which cannot meet the requirement of “comparability” in market approach for a sufficient number of comparable companies. Therefore, the market approach was not adopted.

We have also reviewed the appraisal assumptions in the Asset Valuation Report as set out in Appendix I of this Circular and confirm that the assumptions are fair and reasonable and appropriate for valuation of the Target Company.

We have inquired the PRC Independent Valuer on the applicability of the abovementioned assumptions and we understand that such assumptions are generally and consistently adopted in other business valuation exercises and are in line with the market practices. We are therefore of the view that the assumptions adopted in the valuation are reasonable. During the course of our discussion with the PRC Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the appraised value of the Target Company.



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## LETTER FROM INCU

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As advised by the PRC Independent Valuer, the use of asset-based approach relates to the valuation of assets and liabilities of the Target Company as at 30 June 2023, which includes current assets, non-current assets, current liabilities and non-current liabilities. Details of which are set forth below:

*(a) Current assets*

As at 30 June 2023, the current assets of the Target Company amounted to approximately RMB27.96 million, comprising bank and cash balances of approximately RMB24.26 million, trade receivables of approximately RMB2.66 million, prepayment of approximately RMB0.55 million, other receivables of approximately RMB0.10 million and other current assets of approximately RMB0.39 million. In view of the nature and liquidity of current assets, the PRC Independent Valuer considered that market value adjustment to the current assets was not necessary. Accordingly, in appraising the market value of the current assets of the Target Company, the PRC Independent Valuer has based on its audited book value as at 30 June 2023.

*(b) Non-current assets*

As at 30 June 2023, the non-current assets of the Target Company amounted to approximately RMB1.28 million, comprising deferred tax assets of approximately RMB1.24 million and fixed assets of approximately RMB0.04 million.

Due to the nature of the deferred tax assets, no adjustment has been made by the PRC Independent Valuer. Fixed assets of the Target Company comprised 3 vehicles and 13 electronic equipment (including computers and printers). We understand that the PRC Independent Valuer has performed the following steps to evaluate the market value of the fixed assets:

- (1) request the Company to provide detailed full list of the fixed assets;
- (2) collect information of the ownership of the fixed assets;
- (3) perform on-site surveys and inspect the specifications, models, origins, maintenance status of the fixed assets;
- (4) determine the newness rate of the fixed assets (if applicable) based on the above information; and
- (5) search for and compare with market price and cost of the fixed assets.

As discussed with the PRC Independent Valuer, such appraisal method is a common methodology in establishing the valuation of fixed assets and complies with the relevant professional standard for valuation in the PRC.



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**LETTER FROM INCU**

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The following table set out the breakdown of the value adjustment made by the PRC Independent Valuer to the fixed assets of the Target Company:

	<b>Net book value as at 30 June 2023 (RMB) (audited)</b>	<b>Value adjustment (RMB)</b>	<b>Appraised value of the fixed assets (RMB)</b>
Vehicles	37,721.55	102,278.45	140,000.00
Electronic equipment	<u>4,575.73</u>	<u>(2,475.73)</u>	<u>2,100.00</u>
<b>Total</b>	<b><u>42,297.28</u></b>	<b><u>99,802.72</u></b>	<b><u>142,100.00</u></b>

As shown in the above table, the appraised value of the vehicles increased by RMB102,278.45 and the appraised value of the electronic equipment decreased by RMB2,475.73 from the net book value.

For the reasons of the increase in appraised value of the vehicles, we were advised by the PRC Independent Valuer that the net book value of the vehicles was determined based on the accounting policy of the Target Company, which the vehicles were depreciated on a straight line method with useful life of 5 to 6 years, however, the appraised value of the vehicles was determined based on the average of market price of samples that are comparable to the vehicles of the Target Company. We understand from the PRC Independent Valuer that the PRC Independent Valuer would obtain at least three samples on the market for each model of vehicles and make adjustment to the market price based on the difference of the distance traveled as compared with the vehicles held by the Target Company.

For the reasons of the decrease in appraised value of the electronic equipment, we were advised by the PRC Independent Valuer that the net book value of the electronic equipment was determined based on the accounting policy of the Target Company, which the electronic equipment were depreciated on a straight-line method with useful life of 6 to 10 years, and in contrast the appraised value of the electronic equipment was determined based on the newness rate, which details of the calculation and methodology of the newness rate are set out in the Asset Valuation Report in Appendix I of this Circular.

***(c) Current and non-current liabilities***

We are informed by the PRC Independent Valuer that the PRC Independent Valuer has reviewed and verified the contracts, invoices, financial breakdown and other supporting documents and financial records in respect of the liabilities of the Group and the PRC Independent Valuer concluded that market value adjustment to the liabilities of the Target Company was not necessary after

performing their due diligence. Accordingly, in appraising the market value of the liabilities of the Target Company, the PRC Independent Valuer has based on its audited book value as at 30 June 2023.

Based on our review of the Asset Valuation Report and discussion with the PRC Independent Valuer regarding, among others, the scope of work and experiences of the PRC Independent Valuer, the reasons and appropriateness of adopting the asset-based approach for the valuation of the Target Company, the basis, assumptions and methodology adopted in the Asset Valuation Report, and the valuation work and adjustments performed by the PRC Independent Valuer, nothing has come to our attention that causes us to doubt the fairness and reasonableness of the preparation of the Asset Valuation Report. In the view of the above, we consider that the valuation performed by the PRC Independent Valuer as well as the basis, assumptions and methodology adopted in the Asset Valuation Report are appropriate.

#### **5. Reasons for and benefits of the Acquisition**

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.

As stated in the Letter from the Board, 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 losses of the Target Company for the two years ended 31 December 2022 were attributed to the following factors: (i) the Target Company had a limited capacity to undertake new construction projects as at 31 December 2022 due to the adverse impact of the COVID-19 pandemic and the negative macroeconomic conditions; (ii) the Target Company has reported a significant decrease in the total operating income and has not recovered from the effect of the COVID-19 pandemic and related financial expenses; and (iii) in the year of 2021, the Target Company adjusted the income tax rates for previous years in relation to construction services, which resulted in corresponding accounting adjustments and subsequently led to a negative total operating income for the year ended 31 December 2021. According to the statement of the PRC Independent Valuer on page I-22 of this Circular, that “the Appraised Entity has not been in operation for many years” merely refers to the fact that the operating conditions of the Target Company were unable to meet the conditions for the PRC Independent Valuer to apply the income approach in valuation of the Target Company (meaning that “I. the future income of the appraisal subject can be reasonably expected and measured in currencies; II. the risk corresponding to the expected income can be measured; and III. the income period can be determined or reasonably expected”). It does not mean the Target Company is non-operating. Specifically, “the Appraised Entity has not been in operation for many

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## LETTER FROM INCU

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years” means that the Target Company has not been able to undertake new construction projects in the past few years, due to the effect of the COVID-19 pandemic. As at 31 December 2022, among the projects undertaken by the Target Company, one outstanding project (with the remaining contract sum of approximately RMB25 million) is pending the completion check and acceptance by the client, and it is expected that the Target Company will receive the corresponding contract payment following the client’s acceptance. In the second half of 2023, the Target Company has been also successfully awarded three new projects (with a total proposed contract size of RMB13 million), where revenue is expected to be generated depending on the construction progresses of the said new projects.

According to the Letter from the Board, the Company has already won bids for 150,000 mu of high-standard farmland projects (with a total contract size of approximately RMB480 million) in the North China region. If the Group proceeds immediately with the awarded projects, it is expected that additional costs will be incurred for the current projects and potential similar projects in the future due to the lack of the required license of second-level qualification for the corresponding engineering, which includes expenses related to collaborating with relevant construction companies that possess the license of second-level qualification. Despite the fact that the Company has a team of talents with second-level construction engineering qualifications, and with extensive construction experience, the Company does not possess license of the second-level qualification for construction general contracting, and hence it is unable to independently commence the construction of large-scale high-standard farmland projects 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 appoint management and business personnel to undertake high-standard farmland projects and commence construction by utilizing the Target Company’s Grade II Qualification License for General Contracting of Municipal Construction, which will greatly reduce the related collaboration expenses with other construction companies, increase the profit margin 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 the Group’s resource integration efforts, serving as the Company’s bastion in the North China region to facilitate the Group’s 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”, the water conservancy engineering segment constitute the major focus of the Group’s future 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 the Group’s “modern agriculture” business market. Meanwhile, the Company 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 the Company and fully promote the Group’s

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## LETTER FROM INCU

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high-quality profitability development. The Board believes that the Acquisition will effectively expand the Group's business operations and production capacity related to the Group's farmland construction business, consolidate resources, extend the industrial chain, resolve the limitations of the Company's construction qualifications and accelerate the nationwide development of the engineering business and it is beneficial for safeguarding the interests of the Shareholders and achieving a mutually beneficial cooperation between the Company and the Target Company.

We have discussed with the management of the Company and the Company considers that the construction services of high-standard farmland projects provided by the Group has become one of the major income sources of the Group. The Group has been engaged in the construction of high-standard farmland projects in Xinjiang and would consider to expand its presence to the national market due to the market potential under the government policies. According to our desktop research on the government policies, the "National Water Conservation Action Plan" (國家節水行動方案) ([http://big5.www.gov.cn/gate/big5/www.gov.cn/xinwen/2019-04/19/content\\_5384418.htm](http://big5.www.gov.cn/gate/big5/www.gov.cn/xinwen/2019-04/19/content_5384418.htm)) as introduced by the National Development and Reform Commission (國家發展改革委) and the Ministry of Water Resources of the PRC (中華人民共和國水利部) in 2019 set out explicit goals for agricultural and industrial water-saving measure. On 8 August 2023, nine departments of the PRC government, including the National Development and Reform Commission and the Ministry of Water Resources of the PRC, set out the directions of the water-saving policy (關於推廣合同節水管理的若干措施) ([http://big5.www.gov.cn/gate/big5/www.gov.cn/lianbo/bumen/202308/content\\_6897228.htm](http://big5.www.gov.cn/gate/big5/www.gov.cn/lianbo/bumen/202308/content_6897228.htm)), which includes the improvement of irrigation of farmland and promotion of related technology implementation. Furthermore, in 2021, the National Development and Reform Commission also introduced the "National High-Standard Farmland Construction Plan" (全國高標準農地建設規劃) (<https://www.ndrc.gov.cn/fggz/fztlgh/gjjzxgh/202111/P020211102598713060217.pdf>), which set out the transformation and construction target of high-standard farmland in the PRC from 2021 to 2030. Therefore, we agree with the Company that the government policies of construction of high-standard farmland and water saving will provide market potential to expand the Group's business to nationwide.

Although the Target Company was loss making in FY2021, FY2022 and HY2023, after considering that (i) the Acquisition is in line with the Group's business strategy of expansion of construction and engineering segment with the support of the government policies; (ii) the Target Company has outstanding contract sum of approximately RMB25 million from the existing project and three new projects with a total contract size of approximately RMB13 million being awarded in the second half of 2023, of which the revenue of those projects will be consolidated to the Group's financial statement after the Acquisition. In this regard, we have reviewed the letters of award of the three new projects of the Target Company; (iii) the Company has already won bids for 150,000 mu of high-standard farmland projects (with a total contract size of approximately RMB480 million) in the North China region and the Target Company possesses the required qualifications for the construction of sizeable high-standard farmland projects in the North China region, which the Company does not have. As confirmed by the management of the Company, the Company will be able to undertake

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## LETTER FROM INCU

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the sizeable high-standard farmland construction projects in the North China region, Beijing-Tianjin-Hebei region, and coastal areas independently after the Acquisition. We have obtained and reviewed the certificate of Grade II Qualification License for General Contracting of Municipal Construction; and (iv) the consideration of the Acquisition is equal to the valuation of the Target Company using asset-based valuation approach, we consider the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, that (i) the principal terms of the Equity Transfer Agreement; (ii) the valuation of the Target Company by the PRC Independent Valuer; and (iii) the reasons for and benefits of the Acquisition, we are of the view that although the Equity Transfer Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**INCU CORPORATE FINANCE LIMITED**  
**Gina Leung**  
*Managing Director*

*Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.*

This Asset Valuation Report is prepared under the PRC Asset Appraisal Standards.

## ASSET VALUATION REPORT

THE VALUE OF THE ENTIRE EQUITY INTEREST HELD BY  
THE SHAREHOLDERS OF 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)  
INVOLVED IN THE TRANSFER EQUITY PROPOSED BY  
XINJIANG TIANYE (GROUP) LIMITED (新疆天業(集團)有限公司)

JINGKUN PING BAO ZI [2023] NO. 0780  
(Volume 1 of 1)



北京坤元至誠資產評估有限公司  
Beijing KYSIN Assets Appraisal Co., Ltd.  
1 November 2023

**TABLE OF CONTENTS**

DISCLAIMER ..... I-3

ASSET VALUATION REPORT SUMMARY ..... I-5

ASSET VALUATION REPORT ..... I-8

I. OVERVIEW OF THE PRINCIPAL, THE APPRAISED ENTITY AND  
OTHER USERS OF THE ASSET VALUATION REPORT AS  
AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT . I-8

II. PURPOSE OF APPRAISAL ..... I-14

III. APPRAISED SUBJECT AND SCOPE OF APPRAISAL ..... I-14

IV. VALUE TYPE ..... I-15

V. APPRAISAL REFERENCE DATE ..... I-16

VI. BASIS OF APPRAISAL ..... I-17

VII. APPRAISAL METHODS ..... I-20

VIII. THE IMPLEMENTATION PROCESS AND SITUATION OF THE  
APPRAISAL PROCEDURE ..... I-28

IX. APPRAISAL ASSUMPTIONS ..... I-30

X. APPRAISAL CONCLUSION ..... I-32

XI. NOTES ON SPECIAL MATTERS ..... I-33

XII. LIMITATIONS ON USE OF THE ASSET VALUATION REPORT ..... I-35

XIII. DATE OF THE ASSET VALUATION REPORT ..... I-36

SCHEDULES OF ASSET VALUATION REPORT ..... I-37



**DISCLAIMER**

- I. This Asset Valuation Report is prepared in accordance with the Basic Standards for Asset Appraisal issued by the Ministry of Finance of the People's Republic of China, and the Asset Appraisal Practice Standards and Professional Ethics Standards issued by the China Appraisal Society.
- II. The Principal or any other user of this Asset Valuation Report shall use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use specified in the Asset Valuation Report. If the Principal or other user of this Asset Valuation Report uses this Asset Valuation Report in violation of the foregoing provisions, the asset valuer and its signing asset appraisers shall not bear the liability thereof.
- III. This Asset Valuation Report is only be used by the Principal and other users of this Asset Valuation Report as agreed in the asset valuation engagement contract and users of the Asset Valuation Report stipulated by national laws and administrative regulations. In addition, any other institutions and individuals cannot become the users of this Asset Valuation Report.
- IV. Users of this Asset Valuation Report should understand and use the appraisal conclusion correctly. The appraisal conclusion does not equal to the realizable price of the Appraised Subject, and the appraisal conclusion should not be considered as the guarantee of the realizable price of the Appraised Subject.
- V. The users of the Asset Valuation Report shall pay attention to the assumptions and pre-conditions on which the appraisal conclusion set out in the Asset Valuation Report is based, notes on special matters and limitations on use of the Asset Valuation Report.
- VI. The asset valuer and its asset appraisers shall abide by laws, administrative regulations and asset appraisal criteria, adhere to the principle of independence, objectivity and fairness, and bear the responsibility for the Asset Valuation Report issued according to law.
- VII. The list of assets and liabilities of the Appraised Subject involved in such valuation should be declared by the Principal and relevant parties and certified by signature, seal or other means permitted by laws. The Principal and relevant parties shall be responsible for the truthfulness, legality and completeness of the materials provided by them in accordance with laws. The Principal and relevant parties shall be liable for the legal consequences arising from the provision of false or inaccurate information on legal title, financial accounting information, or other relevant information by the Principal and relevant parties, which are not discovered by the asset appraisers during the normal course of verification.
- VIII. The asset valuer and the asset appraisers responsible for the project have no existing or expected interest in the Appraised Subject in the Asset Valuation Report, nor do the same have existing or anticipated interest in the relevant parties, having no bias against the relevant parties.



- IX. The asset appraisers have carried out necessary regular checks into the Appraised Subject as referred to in the Asset Valuation Report and the assets and liabilities involved. This regular check only limits the part that can be observed with the naked eyes, and for the condition of the internal and covered or concealed parts of the physical assets such as machinery, equipment and real estate, it is assumed that they are in good condition and can be used normally without serious quality problems, unless the principal and relevant parties indicate otherwise, or regular checks can intuitively determine the existence of quality problems. General verification procedures have been performed on the status and information of legal ownership concerning the Appraised Subject and its assets involved, in which case proper disclosure has been made regarding the issues such as defective property right identified, the Asset Valuation Report is not intended to guarantee the legal ownership of the Appraised Subject.
- X. If there is any discrepancy between the sum of aggregated figures and exact figures on ten thousand basis in the Asset Valuation Report, it is due to the rounding rule applied by computer over the rounding of various exact figures on ten thousand basis, and the aggregated figures shall prevail.

**ASSET VALUATION REPORT SUMMARY**  
**ON**  
**THE VALUE OF THE ENTIRE EQUITY INTEREST HELD BY**  
**THE SHAREHOLDERS OF 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)**  
**INVOLVED IN THE TRANSFER EQUITY PROPOSED BY**  
**XINJIANG TIANYE (GROUP) LIMITED\* (新疆天業(集團)有限公司)**

JINGKUN PING BAO ZI [2023] NO. 0780

Beijing KYSIN Assets Appraisal Co., Ltd. is engaged by Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) to, subject to the principles of independence, objectivity and fairness, appraise the market value of the entire equity interest held by the shareholders of 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) involved in the transfer equity matters proposed by Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) on the Appraisal Reference Date by adopting the asset-based approach and following the necessary appraisal procedures in accordance with relevant laws, administrative regulations and the relevant standards of asset appraisal. The Asset Valuation Report Summary is as follows:

**I. PURPOSE OF APPRAISAL**

In accordance with the minutes of the 9th meeting of the 7th session of the Board of 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 limited company incorporated in the People's Republic of China) on 27 June 2023, Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) proposed the transfer its equity interests, due to which the market value of the entire equity interest held by the shareholders of 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) involved in the economic behavior on the Appraisal Reference Date (30 June 2023) shall be subject to appraisal, providing value reference for the above economic behavior.

**II. APPRAISED SUBJECT AND SCOPE OF APPRAISAL**

The Appraised Subject is the value of the entire equity interest held by the shareholders of 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) on the Appraisal Reference Date. The carrying amount of owner's (shareholders') equity approved by Beijing Xinghua Certified Public Accountants (Special General Partnership) amounted to RMB20,062,100.

The scope of appraisal is all assets and liabilities of 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) on the Appraisal Reference Date. The carrying amount of total assets, total Liabilities and total owner's equity approved by Beijing Xinghua Certified Public Accountants (Special General Partnership) amounted to RMB29,246,200, RMB9,184,100 and RMB20,062,100, respectively.

### III. VALUE TYPE

The value type for the appraisal conclusion on this report is market value.

### IV. APPRAISAL REFERENCE DATE

The Appraisal is based on 30 June 2023 as Reference Date.

### V. APPRAISAL METHODS

The asset-based approach is adopted for appraisal and the appraisal result under the asset-based approach is used as the final appraisal conclusion.

### VI. APPRAISAL CONCLUSION AND ITS USE VALIDITY

**According to the valuation, the appraisal conclusion on the market value of entire equity interest held by the shareholders of 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) on the Appraisal Reference Date is RMB20,161,900 (in words: RMB TWENTY MILLION ONE HUNDRED SIXTY-ONE THOUSAND AND NINE HUNDRED ONLY).**

In accordance with the current regulations, the validity of the appraisal conclusion is one year with effect from the Appraisal Reference Date of the Report. Meanwhile, the users of the Report shall pay attention to the assumptions and pre-conditions on which the appraisal conclusion set out in the Asset Valuation Report is based, notes on special matters and limitations on use of the Asset Valuation Report.

### VII. NOTES ON SPECIAL MATTERS

#### (I) Significant use of expert work and related reports

Beijing Xinghua Certified Public Accountants (Special General Partnership) engaged by the Principal in connection with this economic behaviors conducted an audit of the financial statements of the Appraised Entity from January to June 2023 and issued an unqualified audit report ([2023] Jing Hui Xing Zhuan Zi No. 57000062) on 25 October 2023. This appraisal was conducted on the basis of the audit and used the relevant information and data in the aforesaid Audit Report.

**(II) Notes on other special matters**

1. The appraisal results are the current market value of the entire equity interest held by the shareholders based on the purpose of this appraisal and under the assumptions and pre-conditions disclosed in this report, without considering the impact of the potentially increased or decreased price paid resulted from the special transaction method on the appraised value, or the impact of changes of the macroeconomic environment, the natural forces and other force majeure factors on the asset price. The impact of premiums or discounts arising from control rights and other factors on the appraisal conclusion are also not taken into consideration in this appraisal.
2. When appraising the value of entire equity interest held by the shareholders, the appraisers make assumptions as they consider necessary and reasonable according to the current actual conditions, which are presented in the Asset Valuation Report. Such assumptions serve as the prerequisites for the appraisers to conduct the asset valuation. In the event of significant changes in future economic environment and the aforesaid assumptions, the appraisers disclaim any responsibility for deriving a different asset appraisal conclusion due to the changes of these prerequisites.
3. The asset valuer and appraisers disclaim any responsibility for defects existing in the enterprise that may affect the appraised value of the assets but are not explained specifically by the Appraised Entity or the Principal before submitting the Valuation Report, and are unknown to the appraisal professionals after implementing appraisal procedures.

**The aforesaid content is extracted from the full text of the Asset Valuation Report. For the purpose of understanding the details of this appraisal and an accurate comprehension of the appraisal conclusion, please refer to the full text of the Asset Valuation Report carefully.**

**ASSET VALUATION REPORT**  
**ON**  
**THE VALUE OF THE ENTIRE EQUITY INTEREST HELD BY**  
**THE SHAREHOLDERS OF 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)**  
**INVOLVED IN THE TRANSFER EQUITY PROPOSED BY**  
**XINJIANG TIANYE (GROUP) LIMITED\* (新疆天業(集團)有限公司)**

JINGKUN PING BAO ZI [2023] NO. 0780

**To Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司):**

Beijing KYSIN Assets Appraisal Co., Ltd. (hereinafter referred to as the “Company” or “Asset Valuer”) has been appointed by the Party (hereinafter referred to as the “Principal”) to, subject to the principles of independence, objectivity and fairness, appraise the market value on the Appraisal Reference Date (30 June 2023) of the entire equity interest held by the shareholders of 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) (hereinafter referred to as the “Tianye International”) involved in the transfer equity matters proposed by the Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) by adopting the asset-based approach and following the necessary appraisal procedures in accordance with the relevant laws, administrative regulations and the standards of asset appraisal. Details of the asset appraisal are reported as follows:

**I. OVERVIEW OF THE PRINCIPAL, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT**

**(I) Overview of the Principal**

The Principal of this appraisal is Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司), the general information of which is set out below:

Unified social credit code:	91659001299898838W
Name:	Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司)
Type of Company:	Limited liability company (state-owned holding)
Domicile:	No. 36, Bei San Dong Road, Development Zone, Shihezi City, Xinjiang
Legal representative:	Song Xiaoling
Registered capital:	RENMINBI THREE BILLION AND TWO HUNDRED MILLION ONLY
Date of establishment:	28 June 1996
Operating term:	Long term

Scope of business: 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 sale of 1,4-butanediol, glycol, chemicals, solid mercury catalysts, cement and cement products, plastic products, calcium carbonate and sodium carbonate; sale 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 sale of computer software, information technology services and consultation, information system integration engineering, network cabling engineering, automation control system, sale, 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; sales of mineral products and metal materials; and enrollment assistance services (operating activities may proceed following approval by relevant authorities, if approval is required by law)

## **(II) Overview of the Appraised Entity**

The Appraised Entity of this appraisal is 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) (hereinafter referred to as the “Tianye International”), the general information of which is set out below:

### ***1. Key information on industrial and commercial registration of the Appraised Entity***

Set forth below are the major registration items of the Appraised Entity contained in its business license on the Appraisal Reference Date:

Unified social credit code:	911101145530647257
Company name:	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) (hereinafter referred to as the “Tianye International”)

Type of company:	Limited liability company (sole proprietorship of legal person)
Domicile:	3rd Floor, No. 16 Zhitong Road, Changping Science and Technology Park, Changping District, Beijing
Legal representative:	Xia Zhongbing
Registered capital:	RMB50.01 million
Date of establishment:	15 April 2010

Scope of business: General projects: engineering management services; technology service, technology development, technology consultation, technology exchange, technology transfer and technology promotion; 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; cultivation of fruits; cultivation of grains; agricultural professional and auxiliary activities; sales of construction metal fittings; sales of construction materials; sales of plastic products; sales of coatings (excluding dangerous chemicals); sales of lightweight building materials; sales of metal structures; sales of heat insulation and sound insulation materials; sales of construction steel products; sales of construction blocks; sales of architectural decorative materials; sales of chemical products (excluding licensed chemical products); manufacturing of plastic products; non-residential real estate leasing; internet sales (excluding goods requiring sales permits); technology import and export; fertilizer sales; retail of fresh fruits; wholesale of fresh vegetables; grain sales; construction of landscaping projects. (except for projects subject to approval in accordance with the law, business activities shall be carried out independently according to the law with business license) Permitted project: construction work; construction labour subcontracting; construction engineering survey; construction engineering design. (operating activities may proceed following approval by relevant authorities, if approval is required, and the specific operating items should be subject to the approved documents or licenses issued by relevant department) (business activities shall not be carried out for projects prohibited and restricted by the industrial policies in the country and the city.)



## 2. *Historical Development, Shareholders and Proportion of Shareholding*

### (1) *Historical Development*

In April 2010, Appraised Entity was established by Xinjiang Tianye (Group) Limited. The shareholding structure at the time of establishment was as follows:

Shareholders	Capital Contribution (0'000)	Proportion of Shareholding	Paid-up Capital Contribution (0'000)	Proportion of Shareholding
1 Xinjiang Tianye (Group) Limited	5,001	100%	5,001	100%
Total	5,001	100%	5,001	100%

As of Appraisal Reference Date, there was no further change in the shareholding structure of Beijing Tianye International Agricultural Engineering and Technology Co., Ltd..

## 3. *Assets, Finance and Operation Situation of the Appraised Entity in Recent Years*

### (1) *Assets, Finance and Operation Situation of the Appraised Entity in Recent Two Years are shown as follows:*

*Unit: RMB0'000*

Item	31 December 2020	31 December 2021	31 December 2022	30 June 2023
Total assets	3,615.61	3,518.69	3,102.62	2,924.62
Total liabilities	1,116.15	1,125.96	1,018.75	918.41
Owners' equity	2,499.47	2,392.73	2,083.87	2,006.21

  

Item	2020	2021	2022	January to June 2023
Total operating income	351.66	-10.77	5.40	—
Total profit	29.29	-132.76	-337.75	33.52
Net profit	25.96	-106.73	-308.86	33.52

The above financial data for the year 2020 has been audited by Asia Pacific (Group) Certified Public Accountants LLP (Special General Partnership) which has issued unqualified audit report (Zhong Ya Hui Shen Zi (2021) No. 02110384); the financial data for the year 2021 has been audited by Beijing Zhong Tian Heng Certified Public Accountants (Special General Partnership) which has issued unqualified audit report (Zhong Tian Heng Shen Zi (2022) No. 0405); the financial data for the year 2022 has been audited by Beijing Zhong Tian Heng Certified Public Accountants (Special

General Partnership) which has issued unqualified audit report (Zhong Tian Heng Shen Zi (2023) No. 0777); the financial data for Appraisal Reference Date has been audited by Beijing Xinghua Certified Public Accountants Firm (Special General Partnership) which has issued unqualified audit report ([2023] Jing Hui Xing Zhuan Zi No. 57000062).

(2) *The principal accounting and taxation policies and benefits of the Appraised Entity*

- ① Accounting Period: the accounting year is from 1 January to 31 December of Gregorian calendar;
- ② Functional Currency: RMB as functional currency;
- ③ Basis of accounting and principle of measurement: the accounting is measured on an accrual accounting basis, and except for certain financial instruments, others are measured based on historical cost. In case of asset impairment, impairment provisions shall be made accordingly under relevant regulations.
- ④ Fixed Assets

I. Recognition of fixed assets

Fixed assets represent tangible assets held for production of goods, rendering of services, rental or administrative purposes with a useful life over one accounting year. Fixed assets are also recognized when it is probable that the economic benefits will flow into and the costs can be measured reliably.

II. Depreciation methods for various fixed assets

Category	Depreciation method	Depreciation life (years)	Residual value rate (%)	Annual depreciation rate (%)
Transportation vehicles	Straight-line method	5-6	5	15.8-19.00
Electronic devices and other devices	Straight-line method	6-10	5	9.5-18.33

## ⑤ Tax

## I. Principal tax types and tax rates

Tax types	Taxable basis	Tax rates
VAT	The VAT payable is the difference between output tax (calculated based on construction, intangible assets and real estate income under the tax laws) and the deductible input tax of the period	6%, 9%, 10%, 13%, 16%
City maintenance and construction tax	Actual amount of turnover tax paid	7%
Education surcharge	Actual amount of turnover tax paid	3%
Local education surcharge	Actual amount of turnover tax paid	2%
EIT	Taxable income	25%

## II. Preferential tax policies

None.

4. *Major assets of the Appraised Entity*(1) *Type, quantity, distribution and location of physical assets*

The main assets of Tianye International are fixed assets.

Equipment assets include machinery equipment and electronic equipment, with an original carrying amount of RMB831,931.18 and a net carrying amount of RMB42,297.28, of which 3 items of vehicles, mainly including minivans and mini-general passenger vehicles, were purchased in 2010. As of the Appraisal Reference Date, the appraised vehicles were subject to normal annual inspections and could be driven normally; 13 items of electronic equipment, mainly including printers, computers, etc., were purchased from 2010 to 2019, with purchase invoices. As of the Appraisal Reference Date, only five items of appraised electronic equipment were in normal use, most of which are no longer in physical substance, and the enterprise has identified the assets without physical substance in its inventory in 2019.

5. *Relationship between the Principal and Appraised Entity*

The Principal is the shareholder of the Appraised Entity in this valuation.

### **(III) Overview of the other users of the Asset Valuation Report as agreed in the Asset Valuation Engagement Contract**

Pursuant to the Asset Valuation Engagement Contract signed with the Principal, this Asset Valuation Report is intended to be used only by the Principal and the users stipulated by laws and administrative regulations in accordance with the law, and any other institution or individual that has not been confirmed by the Company and the Principal in writing, shall not become a user of the Asset Valuation Report only by virtue of obtaining this report.

## **II. PURPOSE OF APPRAISAL**

According to the “Minutes of the 9th meeting of the 7th session of the Board of 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 limited company incorporated in the People’s Republic of China) on 27 June 2023”, Xinjiang Tianye (Group) Limited\* proposes to carry out an equity transfer matter, for which it is required to appraise the market value of the entire equity interest held by the shareholders of Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.\* involved in the economic behavior as at the Appraisal Reference Date (30 June 2023), so as to provide value reference for the above economic behavior.

## **III. APPRAISED SUBJECT AND SCOPE OF APPRAISAL**

### **(I) Appraised Subject and Scope of Appraisal**

The Appraised Subject is the value on the Appraisal Reference Date (30 June 2023) of the entire equity interest held by the shareholders of Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.\*.

The scope of appraisal is all assets and liabilities declared by Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.\* on the Appraisal Reference Date. Details are as follows:

The aggregate carrying amount of the assets and the liabilities of Tianye International were RMB29,246,200 (including current assets of RMB27,964,000, fixed assets of RMB42,300 and deferred income tax assets of RMB1,239,900) and RMB9,184,100 (including current liabilities of RMB9,184,100), respectively, and the carrying amount of owners’ equity totaled RMB20,062,100.

For details, please refer to the Asset Appraisal Breakdown Statement.

*Monetary unit: RMB0'000*

No.	Accounting name	Carrying value
1	<b>I. Total current assets</b>	<b>2,796.40</b>
2	<b>II. Total non-current assets</b>	<b>128.22</b>
3	Fixed assets	4.23
4	Deferred income tax assets	123.99
5	<b>III. Total assets</b>	<b>2,924.62</b>
6	<b>IV. Total current liabilities</b>	<b>918.41</b>
7	<b>VI. Total liabilities</b>	<b>918.41</b>
8	<b>VII. Net assets (owners' equity)</b>	<b>2,006.21</b>

The above financial data have been audited by Beijing Xinghua Certified Public Accountants (Special General Partnership), which has issued a standard unqualified audit report ([2023] Jing Hui Xing Zhuan Zi No. 57000062).

For details of major assets that have a significant impact on the value of the enterprise, please refer to the aforementioned “(II) Overview of the Appraised Entity — 5. Major assets, financial analysis and adjustments of the Appraised Entity” section.

The Appraised Subject and scope of appraisal are consistent with the Appraised Subject and scope of appraisal involved in the economic behavior to be performed by the Principal.

#### **(II) Type and quantity of off-balance-sheet assets declared by the Appraised Entity**

The assets are all those already recorded in the accounting book of the enterprise in this reporting valuation, and there are no other off-balance sheet assets or identifiable intangible assets that have a significant impact on the value of the Appraised Subject.

#### **(III) Citation of the conclusions of reports issued by other institutions**

This Asset Valuation Report is completed independently by us, and does not refer to the conclusion of reports issued by other institutions.

### **IV. VALUE TYPE**

#### **(I) Value type and selection**

The value types under the asset valuation include both the market value and the value other than the market value.

Upon sufficient communication with the Principal, based on relevant conditions such as the purpose of appraisal, actual conditions of the Appraised Subject, collection of valuation data, the asset appraiser have selected appropriate value types, and finally reached a consensus with the Principal on the value type of appraisal conclusion. The market value has been selected as the value type of appraisal conclusion of this valuation.

## **(II) Definition of market value**

The market value referred to in this Asset Valuation Report refers to the estimated value of the normal fair trade of the Appraised Subject on the Appraisal Reference Date when the voluntary purchaser and the voluntary seller act independently and without any coercion.

## **V. APPRAISAL REFERENCE DATE**

The Appraisal Reference Date of this valuation is 30 June 2023, and the Appraisal Reference Date is determined by the Principal and is consistent with the Appraisal Reference Date specified in the Asset Valuation Engagement Contract.

The following major factors were considered in determining the Appraisal Reference Date:

1. The Appraisal Reference Date was adopted as close to the implementation plan of the economic behavior corresponding to the purpose of the valuation as possible, so that the valuation on the Appraisal Reference Date would have a higher reference value to both parties to the transaction, and that the appraisal conclusion can effectively serve the purpose of the valuation.
2. The Appraisal Reference Date was adopted as the accounting report date which was as close to the implementation plan of the economic behavior corresponding to the purpose of the valuation as possible, so that the asset appraiser can fully understand the overall situation of the assets and liabilities related to the Appraised Subject, and avoid as much as possible the impact of changes in interest rates, exchange rates, bases of taxation, tax rates and governmental fees, etc. on the appraisal conclusion, so as to facilitate the asset appraisers to performance the valuation procedures such as systematic onsite investigation, collection of valuation data and valuation of estimates.
3. The Appraisal Reference Date was adopted as close to the actual date of onsite investigation by the asset appraiser as possible, so that the asset appraiser can better grasp the conditions of the assets and liabilities included in the Appraised Subject and the enterprise as a whole on the Appraisal Reference Date, so as to facilitate the truthful representation of the value of Appraised Subject on the Appraisal Reference Date.

**VI. BASIS OF APPRAISAL****(I) Basis of business activities**

Minutes of the 9th meeting of the 7th session of the Board of 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 limited company incorporated in the People's Republic of China) on 27 June 2023.

**(II) Basis of laws and regulations**

1. The Asset Appraisal Law of the People's Republic of China (Order of the President of the People's Republic of China No. 46, effective from 1 December 2016);
2. The Civil Code of the People's Republic of China (Order of the President of the People's Republic of China No. 45, effective from 1 January 2021);
3. The Company Law of the People's Republic of China (Order of the President of the People's Republic of China No. 15, Fourth Revision, promulgated and effective from 26 October 2018);
4. The Enterprise Income Tax Law of the People's Republic of China (Order of the President of the People's Republic of China No. 23, Second Revision, effective from 29 December 2018);
5. The Law of the People's Republic of China on the State-Owned Assets of Enterprises (Order of the President of the People's Republic of China No. 5, effective from 1 May 2009);
6. The Rules on the Evaluation and Management of State-owned Assets (Decree No. 91 of the State Council, revised by Decree No. 732 of the State Council in 2020);
7. The Interim Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council);
8. The Interim Measures for the Administration of the Enterprise State-owned Asset Appraisal (SASAC Decree No. 12);
9. The Provisions on Several Issues Concerning the Administration of State-owned Assets Appraisal (Decree No. 14 of the Ministry of Finance);
10. The Provisional Measures for Transfer of State-owned Assets in Enterprises (SASAC and Ministry of Finance Decree No. 3);
11. The Supervisory and Administrative Measures for Enterprises State-owned Assets Transaction (SASAC and Ministry of Finance Decree No. 32);



12. The Notice on Issues related to the Transfer of State-owned Assets in Enterprises (Guo Zi Fa Chan Quan [2004] No. 268);
13. The Notice on Strengthening Management of Evaluation of State-Owned Assets in Enterprises (SASAC Property [2006] No. 274);
14. The Notice on the Audit of Valuation Report for State-owned Assets of Enterprises (SASAC Property (2009) No. 941);
15. The Notice on Issuance of Guidelines for the Filing for Recordation of the Valuation Projects of State-owned Assets of Enterprises (SASAC Property [2013] No. 64);
16. The Enterprise Income Tax Law of the People's Republic of China (Decree No. 512 of the State Council, effective from 1 January 2008);
17. The Provisional Regulations of the People's Republic of China on Value-added Tax (Decree No. 691 of the State Council, promulgated and effective from 19 November 2017);
18. The Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value Added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation amended by Order No. 65 of the Ministry of Finance and the State Administration of Taxation);
19. The Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36);
20. The Announcement of Policies for Deepening the Value-added Tax Reform (No. 39 Announcement of the Ministry of Finance, State Administration of Taxation and General Administration of Customs [2019], effective from 1 April 2019);
21. The Announcement of Matters Concerning Deepening the Value-Added Tax Reform (No. 14 Announcement of the State Taxation Administration [2019], effective from 1 April 2019);
22. The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 86 Announcement of the Ministry of Finance [2017], revised by Order No. 97 of the Ministry of Finance on 2 January 2019);
23. Other laws and regulations related to asset appraisal.

**(III) Basis of appraisal standards**

1. Basic Standards for Asset Appraisal (Ministry of Finance Cai Zi [2017] No. 43);
2. Asset Appraisal Professional Ethics Standards (China Appraisal Society [2017] No. 30);
3. Asset Appraisal Practice Standards — Asset Appraisal Procedure (China Appraisal Society [2018] No. 36);
4. Asset Appraisal Practice Standards — Asset Valuation Report (China Appraisal Society [2018] No. 35);
5. Asset Appraisal Practice Standards — Asset Appraisal Contract (China Appraisal Society [2017] No. 33);
6. Asset Appraisal Practice Standards — Asset Appraisal Documentation (China Appraisal Society [2018] No. 37);
7. Asset Appraisal Practice Standards — Use of Expert Work and Related Reports (China Appraisal Society [2017] No. 35);
8. Asset Appraisal Practice Standards — Asset Appraisal Methods (China Appraisal Society [2019] No. 35);
9. Asset Appraisal Practice Standards — Enterprise Value (China Appraisal Society [2018] No. 38);
10. Asset Appraisal Practice Standards — Machinery Equipment (China Appraisal Society [2017] No. 39);
11. Guidelines for Enterprise State-owned Asset Valuation Reports (China Appraisal Society [2017] No. 42);
12. Guidelines for Business Quality Control of Asset Appraisal Institutions (China Appraisal Society [2017] No. 46);
13. Guiding Opinions on Value Types for Asset Appraisal (China Appraisal Society [2017] No. 47);
14. Guiding Opinions on Legal Ownership of Appraised Subjects under Asset Appraisal (China Appraisal Society [2017] No. 48).

**(IV) Basis of asset ownership**

1. Articles of association and business licenses of the Appraised Entity (copies);

2. Motor Vehicle Driving Permit and Registration Certificate of the Appraised Entity (copies);
3. Invoices, contracts and relevant information on the acquisition of important assets of the Appraised Entity (copies);
4. Other relevant ownership basis.

**(V) Pricing basis**

1. Accounting statements and audit reports of the Appraised Entity as of the Appraisal Reference Date;
2. The history and current asset price information provided by the Principal and the Appraised Entity;
3. Collection of Relevant Price Quotations and Parameters by Asset Appraiser through Market Surveys and from manufacturers;
4. Relevant information of the Industry where the Appraised Entity operates;
5. Common Data and Parameter Manual for the Asset Appraisal published by China Machine Press;
6. Mechanical and Electrical Products Quotation Manual prepared by the Machinery Industry Information Research Institute;
7. Collection of Relevant Price Quotations and Parameters by Asset Appraiser through Market Surveys;
8. Other relevant information.

**(VI) Other References**

1. Statistics of annual production and operational status and financial information in recent years of the Appraised Entity, and the relevant information and documents from the Appraisal Reference Date to the date of this report provided by the Principal and relevant parties;
2. Relevant information from iFinD Finance Information Terminal;
3. Other relevant references.

**VII. APPRAISAL METHODS**

**(I) Introduction to basic appraisal methods**

Income approach, market approach and asset-based approach are the three major basic approaches to appraise an enterprise's value.

### ***1. Income approach***

In an appraisal of an enterprise's value, the income approach refers to an appraisal method where the expected income is capitalized or discounted to determine the value of Appraised Subject. The specific approaches commonly used under the income approach include dividend discount approach and cash flow discount approach. The dividend discount approach is a specific approach where expected dividends are discounted to determine the value of Appraised Subject, which is usually applicable to the appraisal of the partial equity interest of the shareholders who lack control rights. The cash flow discount approach is a specific approach where expected net cash flow is discounted to determine the value of Appraised Subject, which includes the discounted enterprise free cash flow model and the discounted equity free cash flow model.

### ***2. Market approach***

In an appraisal of an enterprise's value, the market approach refers to the appraisal method where the Appraised Subject is compared against comparable listed companies or comparable transactions to determine the value of Appraised Subject. Two specific methods commonly used under the market approach are the listed company comparison method and transaction comparison method.

### ***3. Asset-based approach***

In an appraisal of an enterprise's value, the asset-based approach refers to an appraisal method where the values of assets and liabilities in the statement and identifiable off-balance sheet of an enterprise are reasonably appraised on the basis of the balance sheet of Appraised Entity on the Appraisal Reference Date for the purposes of determining the value of Appraised Subject.

## **(II) Selection of appraisal methods**

In carrying out an appraisal of an enterprise's value, the asset appraisers shall prudently analyze the applicability of three basic asset appraisal methods, i.e. income approach, market approach and asset-based approach based on the purpose of appraisal, Appraised Subject, value type, enterprise nature, asset scale, the adequacy of the appraisal data obtained and other relevant factors, before properly selecting one or more basic asset appraisal methods for valuation.

### ***1. Applicability analysis of appraisal methods***

#### ***(1) Income approach***

##### **① Conditions for applying the income approach:**

- I. The future income of Appraised Subject can be reasonably expected and measured in currencies;

II. The risk corresponding to the expected income can be measured;

III. The income period can be determined or reasonably expected.

② Applicability analysis of income approach

The Appraised Entity has not been in operation for many years, and its historical operation can hardly be used as a reference to predict its future annual revenue; the information provided by the Principal and the Appraised Entity as well as the information collected by the asset appraisers in relation to this appraisal cannot meet the requirements of income approach for the adequacy of appraisal information; it is difficult to objectively and reasonably predict the expected income from the overall profitability of the Appraised Subject; it is difficult to qualitatively judge or roughly quantify the risks associated with the future income of the Appraised Entity, which cannot provide a basis for the estimation of discount rates.

Based on the above analysis and conclusion, the asset appraisers conclude that income approach is not appropriate for this appraisal both in theory and practice.

(2) *Market approach*

① Conditions for applying the market approach:

I. The comparable reference objects of the Appraised Subject have a public market and active trading;

II. The necessary information of the transactions is available.

② Applicability analysis of market approach

I. Judgment from the perspective of the capacity of stock markets and the level of market interest and the number of comparable companies

The two open and active main board stock markets in mainland China are currently in Shanghai and Shenzhen, respectively, on which thousands of stocks of listed companies are traded, satisfying the conditions of “market capacity and level of market interest” for market-based assessment.

Based on the publicly released market information, externally audited financial information and other relevant materials of listed companies available on [www.cnlist.com](http://www.cnlist.com) (中國上市公司網) and the website of iFinD Information (iFinD資訊網站), it is concluded that

there are many listed companies operating in the same industry as the Appraised Entity in the capital market of mainland China, which can satisfy the requirement of “quantity” of comparable companies (cases) in the appraisal by the market approach.

II. Judgment from the perspective of the comparability of comparable companies

Among the listed companies operating in the same industry as the Appraised Entity, based on the comparison with the Appraised Entity or the Appraised Subject in terms of the date of establishment and listing, business scope, business scale, main products, business composition, operation indexes, operation mode, operation stage, financial data or the purpose, time, situation, price and other factors in their transaction cases, it is concluded that there are significant differences between the listed companies and the Appraised Entity in terms of main products, enterprise scale and business composition, therefore, the Appraised Entity is basically not comparable with the comparable listed companies, which cannot meet the requirement of “comparability” in market approach for a sufficient number of comparable companies.

Based on the above analysis and conclusion, the asset appraisal professionals conclude that market approach is not appropriate for this appraisal both in theory and practice.

(3) *Asset-based approach*

① Conditions for applying the asset-based approach:

- I. The relevant assets involved in the Appraised Subject can be used or is being used;
- II. The relevant assets involved in the Appraised Subject can be acquired through replacement;
- III. The replacement cost of the relevant assets involved in the Appraised Subject and the relevant depreciation can be reasonably estimated.

② Applicability analysis of asset-based approach

- I. Judgment from the perspective of the certainty of the quantity of appraised assets

Appraised Entity can actively cooperate on valuation and has a sound accounting and audit system as well as orderly management in place, and the quantity of assets subject to appraisal can be determined based on financial information and construction data, and can be verified through on-site investigation.

II. Judgment from the perspective of the availability of replacement price of appraised assets

The industry to which the assets subject to appraisal belong is relatively mature with relatively complete industry data; the price cost of appraised assets can be obtained from various sources including the relevant websites of manufacturers of machinery and equipment, suppliers of inventory and other suppliers.

III. Judgment from the perspective of the predictability of newness rate of appraised assets

The newness rate of assets included in the Appraised Subject can be calculated by estimating the remaining service life of the assets based on its economic service life and thus estimating the commonly acknowledged newness rate. Based on the on-site investigation and the relevant information collected, the newness rate is estimated with reference to the actual depreciation rate, functional depreciation rate and economic depreciation rate.

Based on the above analysis and conclusion, the asset appraisers are of the view that asset-based approach is appropriate for this appraisal both in theory and practice.

**2. Selection of valuation approach for this valuation**

The Appraised Subject is the value on the entire equity interests held by the shareholders of Appraised Entity on the Appraisal Reference Date. Based on the purpose of appraisal, Appraised Subject, value type, the relevant information provided by the Principal and Appraised Entity, information collected through on-site investigation and other channels, and details of Appraised Subject and other relevant conditions, coupled with comprehensive judgment such as the applicability analysis of the aforementioned valuation approaches, this valuation was conducted using the asset-based approach.



**(III) Determination of technical ideas and key valuation parameters for this valuation****1. *Specific appraisal methods for major assets (liabilities) in the appraisal using the asset-based approach*****(1) *Current assets*****1) Cash**

The appraised value will be the audited and verified carrying amount.

**2) Trade receivables**

The asset appraiser understands the time of and reason for the occurrence of trade receivables, as well as the business content. The authenticity of the book balance of trade receivables is checked and verified by checking the original accounting vouchers, verifying the general ledger and subsidiary ledger, reconciling with related parties, conducting external confirmations and other procedures. The asset appraiser analyzes the aging of trade receivables, and determines the appraisal value using the estimated recoverable amount of each debt. For receivables for which there is no conclusive evidence of loss, the loss is estimated to be equal to the estimated loss ratio multiplied by the carrying amount, and the estimated loss ratio is determined with reference to the expected credit loss ratio of trade receivables. Credit losses are not considered for the amount due from related parties; the allowance for bad debts provided in the books is assessed to be zero.

**3) Prepayment**

The asset appraiser verifies the balance of the general ledger of prepayment with the appraisal declaration form, collects the original accounting materials such as payment vouchers and procurement contracts, checks the original accounting vouchers of prepayments such as payment vouchers, and checks the subsequent delivery and settlement. After verification, the aging of the prepayment is mainly within one year, and there is no evidence indicating that goods cannot be recovered or prepayments cannot be converted into corresponding equity upon maturity. Therefore, the appraisal value is determined based on the verified book value.

**4) Other receivables**

The asset appraiser firstly verified the detailed items to understand the detailed reasons for their occurrence; secondly, he conducted external confirmations for large amounts and analyzed the nature and ageing of other receivables; and finally determined the appraised value based on the recoverable amount of each debt.

## 5) Other current assets

The asset appraiser understood the tax types and rates applicable to the enterprise, verified the correctness and authenticity of the other current assets in combination with tax returns, and took the verified carrying amount as the appraised value.

(2) *Fixed assets*

According to the purpose of this appraisal, the information provided by the Appraised Entity and the specific condition of the equipment entrusted for appraisal, the fixed assets in the category of electronic equipment without physical substance were appraised as zero in this appraisal, electronic equipment for which the price of second-hand equipment is easily obtainable in the market was appraised in accordance with the market method, electronic equipment for which the price of brand-new equipment is still available was appraised in accordance with the cost method, and the vehicles were appraised under the market method, and the appraisal value was all exclusive of value-added tax.

## (1) Cost approach

## ① Calculation of the original appraisal value

For electronic equipment, the appraisers determined the original price of the equipment by checking the “Quotation Manual for Electromechanical Products” and websites such as <https://www.pconline.com.cn/> and <https://www.zol.com.cn/> and with appropriate adjustments, and the formula for calculating the replacement cost of the electronic equipment is as follows:

Replacement cost = original cost of equipment ÷ (1 + VAT rate)

## ② Calculation of the newness rate

For general equipment and equipment of small value, the useful life method is used to estimate the newness rate by combining with the state of use and maintenance of the equipment and the current state of its appearance. The estimation formula is as follows:

Newness rate = (economic useful life – used life) ÷ economic useful life × 100%

(2) Market approach

① Vehicles

Combined with the actual situation of the vehicles entrusted for appraisal, the normal transfer of vehicle assets is based on the vehicle transaction price in the second-hand vehicle trading market, and the appraised value is arrived at by determining the average value of the comparison price of the vehicle appraisal after analysis and adjustment.

Therefore, the appraised value of the vehicle = the average value of the comparison price

Determination of the comparison price

Vehicle transaction cases that are the same as or as close as possible to the Appraised Subject, and of strong correlation and substitutability are selected from the recent second-hand vehicle transaction market. The comparison price of the vehicle entrusted for appraisal is arrived at by analyzing, comparing and correcting factors affecting the market price of second-hand vehicles such as useful life, vehicle condition, transaction date and the condition of the vehicle transaction based on the conditions of the vehicle entrusted for appraisal and the comparable cases.

② Electronic equipment

For electronic equipment that has been in use for a long period of time and is no longer available for sale in the current market, the appraised value is determined directly based on the second-hand market price or the realizable value.

(3) Liabilities

On top of checking and verification, the appraised value is determined by the audited and verified carrying amount after payments for actual requirements are taken into consideration.

## VIII. THE IMPLEMENTATION PROCESS AND SITUATION OF THE APPRAISAL PROCEDURE

Upon being appointed for this appraisal, the asset appraiser of the asset valuer were selected to understand the basic information related to this appraisal, formulate the appraisal work plan, and arrange and assist the Appraised Entity in asset checking. Being subsequently dispatched to the Appraised Entity, the appraisal taskforce conducted on-site investigations into the appraisal subject and its assets and liabilities, collected and analyzed all information required for the appraisal, and identified the appraisal methods and appraisal models, before estimating the value of the Appraisal Subject. From the acceptance of the appraisal project to the issuance of the valuation report, it is divided into the following five appraisal work stages:

### **(I) Negotiation of appraisal project and acceptance of engagement**

The asset valuer, through negotiations, risk assessment over appraisal project, and other preliminary work procedures, has resolved to accept the engagement. In other words, full communications with the principal helps understand the basic information about this appraisal project, including purpose of appraisal, appraisal subject, and scope of appraisal, and the appraisal reference date, so as to prepare the appraisal work plan and formulate the appraisal scheme, as a result of which the Asset Valuation Engagement Contract has been entered into with the principal.

### **(II) On-site investigation and data collection**

This phase principally involves submission of the list of information required for asset appraisal; direction given to the Appraised Entity in checking assets and preparing appraisal information; collection and verification of appraisal information; and due diligence interviews, on-site asset inspection, and verification of appraisal information, market surveys, and collection of market information and related data.

#### ***1. Submission of the list of information required for asset appraisal***

In accordance with the features of the assets subject to appraisal, the specific list of information required for asset appraisal, asset Appraisal Breakdown Statement, and others shall be submitted, and the principal and the Appraised Entity are required to make active preparation for appraisal information.

#### ***2. Direction given to the Appraised Entity in checking assets and preparing appraisal information***

Communications with the relevant personnel of the principal and the Appraised Entity shall be maintained to make arrangements and assist them in completing the asset Appraisal Breakdown Statement and preparing the relevant information required for appraisal in accordance with the asset appraisal requirements.

**3. *Collection and verification of information provided by the principal and the Appraised Entity***

Information provided by the principal and the Appraised Entity shall be verified and checked, and issues identified, if any, would be resolved through coordination.

**4. *On-site survey and key inventory check***

A comprehensive (or sampling) verification of assets involved in the Appraised Subject shall be carried out, alongside detailed surveys of important assets, and compilation of the “On-site Survey Working Paper”.

**5. *Due diligence interview***

In accordance with specific conditions of the Appraised Subject, and the information provided by the principal and the Appraised Entity, seminars, discussions, telephone interviews, and other means shall be arranged with the governing bodies, management, and technical personnel of the Appraised Entity, so as to reach consensus on the understanding of matters related to the Appraised Subject, as well as the Appraised Entity and the history and future development trajectory of the industry where it operates.

**6. *Market survey and collection of market information and related data***

On the basis of collecting the materials provided by the principal and the Appraised Entity in accordance with the list of information required for asset appraisal, market information, industry data, macroeconomic data and regional data, etc., shall be collected to meet the requirements of appraisal and estimation.

**(III) Appraisal and estimation**

This phase principally involves:

**1. *Selecting appraisal methods and appraisal models***

The selected appraisal method and specific appraisal model will be determined based on actual conditions and specific characteristics of the Appraised Subject and data collection.

**2. *Appraisal and estimation***

According to the selected appraisal method and specific appraisal model, the appraisal parameters required by the appraisal model will be reasonably determined, and the preliminary appraisal results of the Appraised Subject will be measured and calculated, so as to produce the asset appraisal working papers.

**(IV) Appraisal result aggregation and preparation of preliminary Asset Valuation Report**

The preliminary appraisal results will be analyzed and aggregated, which may be subject to necessary adjustments, corrections and improvements to determine the preliminary aggregated appraisal results. Furthermore, a preliminary Asset Valuation Report together with the asset appraisal working papers will be drafted and submitted to the Company for internal audit.

**(V) Issuance of Asset Valuation Report**

Upon the internal audit and approval on the Asset Valuation Report by the Company, the asset valuer, without prejudice to the independent judgment on the appraisal conclusion, communication with the principal or other relevant parties agreed by the principal on the relevant content of the Asset Valuation Report will be conducted, the content of which will be subject to independent analysis. Adjustments to the Asset Valuation Report will be determined according to the Company's quality control system and procedures. In case of necessary adjustments, the content of the Asset Valuation Report will be modified and improved before a formal Asset Valuation Report is submitted to the Principal in accordance with the issuance system and procedures for business report of the Company.

**IX. APPRAISAL ASSUMPTIONS**

According to the asset appraisal standards, the asset appraiser made necessary analysis, judgments and adjustments on the information provided by the Principal or relevant parties, after making sufficient analysis of the capital structure, operating conditions, historical performance and development prospect of the Appraised Entity, and taking into account the macro-economic and regional economic influencing factors, the status quo and development prospects of the industry in which the Appraised Entity operates and their impacts on the value of Appraised Entity. The following assumptions are reasonably made after considering various possibilities and their impacts in the future.

**(I) Precondition Assumptions****1. *Arm's length assumption***

The arm's length assumption assumes that the Appraised Subject is already subject to a transaction, and the appraiser conduct the valuation by simulating the market on the arm's length principle based on the conditions of the transaction of the Appraised Subject.

**2. *Open market assumption***

The open market assumption assumes that the Appraised Subject is transacted in a fully competitive and established market (regional, national or international market), in which both parties to the proposed transaction are in arm's-length position with equal ability, opportunity and time to obtain sufficient market information; the transaction behaviors of both parties to the transaction

are conducted under voluntary, rational rather than compulsory or unrestricted conditions, such that both parties to the transaction can make rational judgements on the function, purpose and transaction price of the subject matter. Under the market conditions of a fully competitive market, the exchange value of the subject matter is subject to market mechanisms and determined by market conditions instead of the transaction price in individual transactions.

### **3. *Going concern assumption***

The going concern assumption assumes that the Appraised Entity (including the Appraised Subject and its assets) continues to operate according to its current model, scale, frequency, environment, etc. It presumes not only the operating conditions of, but also the market conditions or market environment faced by, the Appraised Subject.

## **(II) General Assumptions**

1. It is assumed that there will be no significant changes in the current relevant laws and regulations, industry policies, industrial policies, macro-economic conditions or any other aspects in the country or region where the Appraised Entity operates as compared with those on the Appraisal Reference Date, and that there will be no material changes in the political, economic and social conditions in the region where the parties to the transaction are located.
2. It is assumed that there will be no major changes in the fiscal and currency policies and the relevant prevailing interest rates, exchange rates, bases of taxation, tax rates and governmental fees in the region where the Appraised Entity operates.
3. It is assumed that there will be no other force majeure or unforeseeable factors that may have material adverse impact on the Appraised Entity as a going concern.

## **(III) Special Assumptions**

1. It is assumed that based on the current management method and management standards of the Appraised Entity, its operation scope and business model are basically consistent with the current ones, and that its business development trends in the future will be basically in line with the development trends of the industry in which it operates as at the Appraisal Reference Date.
2. It is assumed that the manager of the Appraised Entity is diligent and responsible, and its management is capable of taking up their positions and performing their duties.



3. It is assumed that the information (basic information, financial information, operational information, etc.) provided by the principal and Appraised Entity is true, accurate and complete, and that the disclosure of relevant material matters is adequate.
4. It is assumed that the Appraised Entity fully complies with all the relevant prevailing laws and regulations.

#### **(IV) Impacts of the Aforementioned Assumptions on the Appraisal Results**

The aforementioned assumptions determine the conditions for using the assets included in the Appraised Subject and market conditions, and have a relatively material impact on the appraisal. According to the requirements for asset valuation, the asset appraisers have assumed that these assumptions are valid and reasonable on the Appraisal Reference Date. To the extent that the economic conditions materially change in the future, the asset valuer and the signing asset appraisers do not assume any liability for any different appraisal conclusion resulting from any changes in the aforementioned assumptions. To the extent that the economic conditions materially change in the future or the aforementioned assumptions are no longer valid, the appraisal conclusion would be invalid.

### **X. APPRAISAL CONCLUSION**

As of the Appraisal Reference Date, the carrying amount of the total assets, total liabilities and owner's equity of 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), which was filed for appraisal and approved by Beijing Xinghua Certified Public Accountants (Special General Partnership), amounted to RMB29,246,200, RMB9,184,100 and RMB20,062,100 in total, respectively.

In the appraisal using the asset-based approach, as of the Appraisal Reference Date, the appraised value of total assets of 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) amounted to RMB29,346,000, representing an appraised change of RMB99,800 or 0.34%; the appraised value of total liabilities amounted to RMB9,184,100 with no change; the appraised value of entire equity interest held by the shareholders amounted to RMB20,161,900, representing an appraised change of RMB99,800 or 0.50%.

**In other words, the appraisal conclusion on the market value of the entire equity interest held by the shareholders of 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) on the Appraisal Reference Date is RMB20,161,900 (in words: RMB TWENTY MILLION ONE HUNDRED SIXTY-ONE THOUSAND AND NINE HUNDRED ONLY) with an appraisal appreciation of RMB99,800, representing an appraised appreciation rate of 0.50%.**

**Appraised results on the value of the entire equity interest held by the shareholders (net assets)  
of the Appraised Entity under the asset-based approach**

Appraisal Reference Date: 30 June 2023

*Measuring Unit: RMB0'000*

Item	Carrying amount	Appraised Value	Change	Appreciation Rate %
	<i>A</i>	<i>B</i>	<i>C = B - A</i>	$\frac{D = C}{A} \times 100\%$
1 Current assets	2,796.40	2,796.40	—	—
2 Non-current assets	128.22	138.20	9.98	7.78
3 Fixed assets	4.23	14.21	9.98	235.93
4 Deferred income tax assets	123.99	123.99	—	—
5 <b>Total assets</b>	2,924.62	2,934.60	9.98	0.34
6 Current liabilities	918.41	918.41	—	—
7 Non-current liabilities	—	—	—	—
8 <b>Total liabilities</b>	918.41	918.41	—	—
9 <b>Net assets (Owner's equity)</b>	2,006.21	2,016.19	9.98	0.50

In accordance with the current regulations, the valid period of the appraisal conclusion is one year with effect from the Appraisal Reference Date of this report. Meanwhile, the users of the report shall pay attention to the assumptions and pre-conditions on which the appraisal conclusion set out in this Asset Valuation Report is based, notes on special matters and limitations on use of the Asset Valuation Report.

## XI. NOTES ON SPECIAL MATTERS

### (I) References to the conclusions of reports by other agencies

No reference was made to the conclusions of reports issued by other agencies for this project.

### (II) Information about incomplete or defective ownership

Information about incomplete or defective ownership has not been identified for this project.

### (III) Other key information that the Principal has not provided or incomplete appraisal data

There is no other key information that the Principal has not provided, nor is there incomplete appraisal data in this project.

**(IV) Pending matters, legal disputes and other uncertainties on the Appraisal Reference Date**

No pending matters and legal disputes against the Appraised Entity on the Appraisal Reference Date have been identified for this project.

**(V) Significant use of expert work and related reports**

Beijing Xinghua Certified Public Accountants (Special General Partnership) engaged by the Principal in connection with this economic activity conducted an audit of the financial statements of the Appraised Entity from January to June 2023 and issued an unqualified audit report ([2023] Jing Hui Xing Zhuan Zi No. 57000062) on 25 October 2023. This appraisal was conducted on the basis of the audit and used the relevant information and data in the aforesaid Audit Report.

**(VI) Material subsequent matters**

None.

**(VII) Relevant limitations of appraisal procedures, remedial measures taken by the valuer and their impact on appraisal conclusions**

None.

**(VIII) Nature and amount of mortgage, guarantee, lease and contingent liabilities (contingent assets), and their relationship with the Appraised Subject**

None.

**(IX) Deficiencies in economic activities corresponding to the asset appraisal that may have a material effect on the appraisal result**

In economic activities corresponding to this asset appraisal, there is no deficiency that may have a material effect on the appraisal result.

**(X) Notes on other special matters**

1. The appraisal results are the current market value of the entire equity interest held by the shareholders based on the purpose of this appraisal and under the assumptions and pre-conditions disclosed in this report, without considering the impact of the potentially increased or decreased price paid resulted from the special transaction method on the appraised value, or the impact of changes of the macroeconomic environment, the natural forces and other force majeure factors on the asset price. The impact of premiums or discounts arising from control rights and other factors on the appraisal conclusion are also not taken into consideration in this appraisal.

2. When appraising the value of entire equity interest held by the shareholders, the appraisers make assumptions as they consider necessary and reasonable according to the current actual conditions, which are presented in the Asset Valuation Report. Such assumptions serve as the prerequisites for the appraisers to conduct the asset valuation. In the event of significant changes in future economic environment and the aforesaid assumptions, the appraisers disclaim any responsibility for deriving a different asset appraisal conclusion due to the changes of these prerequisites.
3. The asset valuer and appraisers disclaim any responsibility for defects existing in the enterprise that may affect the appraised value of the assets but are not explained specifically by the Appraised Entity or the Principal before submitting the Valuation Report, and are unknown to the appraisal professionals after implementing appraisal procedures.

## **XII. LIMITATIONS ON USE OF THE ASSET VALUATION REPORT**

- (I) The official use of this Asset Valuation Report shall be subject to the approval of or filing with the state-owned assets supervision and administration authority or the competent authority of the Appraised Entity.
- (II) This Asset Valuation Report shall only be used for the purpose and objective of appraisal as set out herein. Meanwhile, the appraisal conclusion is issued for the purpose of appraisal stated herein in order to give a reference opinion on the market value of the Appraised Subject as at the Appraisal Reference Date based on the appraisal assumptions and constraints stated herein. Neither this appraisal conclusion takes into account the mortgages and guarantees that may be borne in the future and the impact of special transaction methods, nor does it take into account the impact of changes in the national macro-economic policies as well as natural forces and other force majeure. The appraisal conclusion will be generally invalid when there are changes in the assumptions and constraints of the appraisal. We, the asset valuer, shall not bear any liabilities relating to the invalidation of the appraisal conclusion due to changes in such circumstances.
- (III) Where the principal or other users of the Asset Valuation Report fail to use the Asset Valuation Report within the scope as set forth herein in accordance with the laws and administrative regulations, the asset valuer, and its signing asset appraisers shall take no responsibility.
- (IV) Any other agencies and individuals, other than the principal, other users of the Asset Valuation Report as agreed in the Asset Valuation Engagement Contract, and the users of the Asset Valuation Report as stipulated by laws and administrative regulations, shall not be the users of the Asset Valuation Report.
- (V) The user of the Asset Valuation Report shall have a correct understanding and usage of the appraisal conclusion, which is not equivalent to the realizable price of the Appraised Subject, and shall not be deemed as a guarantee for the realizable price of the Appraised Subject.

(VI) Without written consent from us, any entities or individuals shall not reproduce, extract or cite the whole or any part of the Asset Valuation Report, nor disclose the whole or any part of it on any media, save as otherwise required by laws and regulations and agreed upon by the relevant parties.

### **XIII. DATE OF THE ASSET VALUATION REPORT**

This Asset Valuation Report is dated 1 November 2023.

(No text below this page)

BEIJING KYSIN ASSETS APPRAISAL  
CO., LTD.

Asset appraiser: Fu Ping

Beijing, the PRC

Asset appraiser: Zhou Jun

*The asset appraisers are 付萍 (Fu Ping) and 周君 (Zhou Jun). Both asset appraisers are professionally qualified with necessary qualification as members of the China Appraisal Society. Each of them has over 17 years of experience in PRC assets valuation, respectively.*

## SCHEDULES OF ASSET VALUATION REPORT

1. Minutes of the 9th meeting of the 7th session of the Board of 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 limited company incorporated in the People's Republic of China) on 27 June 2023
2. Special audit report of the Appraised Entity
3. Copies of business licenses of the Principal and the Appraised Entity
4. Certificate of property rights registration of the Principal and the Appraised Entity
5. Copies of major asset ownership certificates involved in the Appraisal Subject
6. Letter of undertaking of the Principal
7. Letter of undertaking of the Appraised Entity
8. Letter of undertaking of signing asset appraisers
9. Copies of qualification certificates documents or the filing documents of the Asset Valuer
10. Copy of counterpart of business license of the Asset Valuer
11. Copies of registration card of professional qualification certificates of the signing asset appraisers
12. The Asset Valuation Engagement Contract
13. The summary table of the asset valuation or breakdown list
14. Explanation of the significant difference between the book value of assets and the appraisal conclusion

\* *For identification purpose only*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The information contained herein relating to the Company has been supplied by the Directors, who collectively and individually accept full responsibility for the accuracy of the information contained in this circular. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

### (A) Interests in the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, supervisors and the chief executive of the Company had an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

### (B) Other interests

As at the Latest Practicable Date, so far is known to the Directors,

- (i) none of the Directors and Supervisors had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up;
- (ii) none of the Directors and Supervisors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole; and
- (iii) save as disclosed in this circular, none of the Directors and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.



### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

#### (A) Domestic Shareholders

As at the Latest Practicable Date, the interests or short positions of the Directors, supervisors and chief executives of the Company in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules are as follows:

Name	Capacity	Number of the Domestic Shares of the Company held (Note 1)	Approximate percentage of the total issued Domestic Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Xinjiang Tianye (Group) Limited	Beneficial owner	313,886,921(L)	98.98%	60.42%

Notes:

1. The letter “L” denotes the person’s/entity’s long position in the Shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued Shares of 519,521,560 Shares (including Domestic Shares and H Shares).

**(B) H Shareholders**

Name	Capacity	Number of H Shares of the Company held (Note 1)	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings Limited (“ <b>Long Thrive</b> ”) (Note 3)	Beneficial owner	14,407,000(L)	7.12%	2.77%
Mr. Ding Wei (“ <b>Mr. Ding</b> ”) (Note 4)	Interest in controlled corporation	14,407,000(L)	7.12%	2.77%
Ms. Wang Bing (“ <b>Ms. Wang</b> ”) (Note 5)	Interest of spouse	14,407,000(L)	7.12%	2.77%

*Notes:*

1. The letter “L” denotes the person’s/entity’s long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued Shares of 519,521,560 Shares (including Domestic Shares and H Shares).
3. The H Shares held by Long Thrive were equivalent to approximately 7.12% of the total H Shares in issue of the Company.
4. Long Thrive directly held 14,407,000 H Shares. Long Thrive is wholly-owned by Mr. Ding. By virtue of the SFO, Mr. Ding is deemed to be interested in the 14,407,000 H Shares held by Long Thrive.
5. Ms. Wang is the spouse of Mr. Ding. By virtue of SFO, Ms. Wang is deemed to be interested in the 14,407,000 H Shares held by Long Thrive.

**4. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or the Supervisors nor any of their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

**5. SERVICE CONTRACTS OF THE DIRECTORS**

As at the Latest Practicable Date, none of the Directors and supervisors of the Company entered or proposed to enter into any service contract with the Group which does not expire or is not determinable by the Group within one year without payment of compensation other than statutory compensation.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice contained in this circular:

INCU Corporate Finance Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
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Beijing KYSIN Assets Appraisal Co., Ltd.	an independent certified PRC valuer
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As at the Latest Practicable Date, each of INCU Corporate Finance Limited and Beijing KYSIN Assets Appraisal Co., Ltd. did not have any shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of INCU Corporate Finance Limited and Beijing KYSIN Assets Appraisal Co., Ltd. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name in the form and context in which they are included.

The letter and recommendation given by INCU Corporate Finance Limited are given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, each of INCU Corporate Finance Limited and Beijing KYSIN Assets Appraisal Co., Ltd. do not have or did not have any interest, direct or indirect, in any assets which have been, since 31 December 2022 (being the date to which the latest audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

**9. DOCUMENTS ON DISPLAY**

Copies of the following document will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.xj-tianye.com](http://www.xj-tianye.com)) for a period of 14 days from the date of this circular:

- (a) the Equity Transfer Agreement.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this notice.*



**新疆天业节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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “**EGM**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited\* (the “**Company**”) will be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the People’s Republic of China (the “**PRC**”) on Monday, 15 January 2024 at 10:00 a.m. for the following purposes and to pass the following resolution:

Unless otherwise stated, capitalised terms used in this notice shall have the same meanings as defined in the circular of the Company dated 29 December 2023.

#### ORDINARY RESOLUTION

1. **THAT:** The signing, performance and implementation of the Equity Transfer Agreement are hereby considered, ratified, confirmed and approved; and any one of the Directors of the Company be and are hereby authorised to execute for and on behalf of the Company all such other documents, instruments and agreements, and to take all steps necessary or expedient to implement and/or give effect to the Equity Transfer Agreement; any member of the Group (including those newly established or invested through equity acquisition or other organisations) be and are hereby approved to, in its absolute discretion deemed appropriate or expedient and in the interests of the Company and its shareholders as a whole and based on the actual work needs, to negotiate, develop, execute, amend, supplement and perform all documents in connection with the Equity Transfer Agreement (including but not limited to the specific agreement contemplated under the Equity Transfer Agreement) with any member of Tianye Group

\* *For identification purpose only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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(including those newly established or invested through equity acquisition or other organisations) and proceed with all things and actions necessary for executing and implementing the Equity Transfer Agreement.

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

Xinjiang, the PRC, 29 December 2023

**Notes:**

1. Any member entitled to attend and vote at the EGM is entitled to appoint in written form for one or more than one proxy to attend and vote at the EGM on his behalf. A proxy need not be a member of the Company.
2. The form of proxy for the EGM is herewith enclosed. In order to be valid, the form of proxy, if such proxy form is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed, must be deposited at the Company's H Share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for the holders of H Shares only) or the registered office of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares), not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.
3. Shareholders or their proxies shall present proofs of identities when attending the EGM.
4. The register of the members of the Company will be closed from Wednesday, 10 January 2024 to Monday, 15 January 2024 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the EGM of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Tuesday, 9 January 2024.

\* *For identification purpose only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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5. Shareholders who intend to attend the EGM should complete and return the enclosed reply slip for attendance to the H Share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (for the holders of H Shares only) or the registered office of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), by hand, by post or by fax (the fax number of the Company's H Share registrar and transfer office: (852) 28611465 (for the holders of H Shares only) or the fax number of the Company (86993) 2623183 (for the holders of Domestic Shares only)) on or before 4:30 p.m. on Thursday, 4 January 2024.
6. Voting of the resolution as set out in this notice will be by poll in accordance with the requirements under the Listing Rules.
7. The EGM is expected to last for less than half day. The Shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
8. The Company's registered address is:

No. 36, Bei San Dong Road, Shihezi Economic and Technology Development Zone, Shihezi, Xinjiang, the PRC