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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)**

**MAJOR TRANSACTION**  
**CAPITAL INCREASE AGREEMENT**

On 26 May 2021, the Company, the Target Company, Ms. Deng, and Mr. Li entered into the Capital Increase Agreement, pursuant to which, the Company agreed to increase the registered capital of the Target Company by cash contribution. Upon Completion, the Target Company will become a subsidiary of the Company, and its financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Company.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of the Capital Increase exceeds 25% but is less than 100%, the Capital Increase and the transactions contemplated under the Capital Increase Agreement constitute a major transaction of the Company and are therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, if (i) no shareholder is required to abstain from voting if the listed company were to convene a general meeting for the approval of the transaction; and (2) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction, written shareholders' approval for a major transaction may be accepted in lieu of holding a general meeting.

No Shareholders or any of their respective associates are interested in the Capital Increase, and no Shareholders would be required to abstain from voting at the general meeting convened for the approval of the Capital Increase. As at the date of this announcement, the Relevant Shareholders, being a closely allied group of Shareholders controlling a total of 313,886,921 Shares, representing approximately 60.42% of the Company's issued share capital, have approved the Capital Increase by way of a written approval pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company shall be convened to approve the Capital Increase.

A circular containing, among other things, further details of the Capital Increase and the transactions contemplated under the Capital Increase Agreement, and other information as required under the Listing Rules, shall be despatched to the Shareholders on or before 17 June 2021.

**As Completion is subject to the satisfaction and/or waiver (where applicable) of the Conditions Precedent, the Capital Increase and the transactions contemplated under the Capital Increase Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

On 26 May 2021, the Company, the Target Company, Ms. Deng, and Mr. Li entered into the Capital Increase Agreement, pursuant to which, the Company agreed to inject additional capital of RMB4,581,200 into the Target Company, of which RMB3,100,000 will be the registered capital of the Target Company and RMB1,481,200 will be treated as capital reserve. Upon Completion, the Company will hold approximately 34.06% equity interest in the Target Company, while the Target Company will become a subsidiary of the Company, as a result of which the financial results, assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company. Major terms of the Capital Increase Agreement are set forth as follows.

## CAPITAL INCREASE AGREEMENT

Date: On 26 May 2021

Parties: (i) the Company;  
(ii) the Target Company;  
(iii) Ms. Deng; and  
(iv) Mr. Li.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Target Company, Ms. Deng, and Mr. Li are Independent Third Parties independent from the Company and its Connected Persons.

### Capital Increase

In accordance with the Capital Increase Agreement, the Company agreed to increase the registered capital of the Target Company by cash contribution. The Company agreed to inject additional capital of RMB4,581,200 into the Target Company, of which RMB3,100,000 will be the registered capital of the Target Company and RMB1,481,200 will be treated as capital reserve. Upon Completion, the registered capital of the Target Company will increase from RMB6 million to RMB9.1 million.

As at the date of this announcement, Ms. Deng and Mr. Li held 90% and 10% equity interest in the Target Company, respectively. Upon Completion, the shareholding structure of the Target Company is set out as follows:

<b>Parties</b>	<b>Capital contribution (RMB)</b>	<b>Percentage of equity interest in the Target Company</b>
The Company	3,100,000	34.06%
Ms. Deng	5,400,000	59.34%
Mr. Li	600,000	6.59%

The Company shall pay the amount of capital contribution of RMB4,581,200 in cash to the bank account designated by the Target Company within 10 Business Days upon satisfaction of the Conditions Precedent. The Target Company shall issue and deliver to the Company a receipt for the capital increase amount affixed with the seal specialized for financial purposes of the Target Company within 3 Business Days upon receiving the amount of capital contribution from the Company.

The amount of capital contribution payable under the Capital Increase Agreement was determined after arm's length negotiations between the Parties taking into account the expected operational requirements of the Target Company at the current stage and the valuation of the entire equity interest in the Target Company of approximately RMB8,866,900 as at 31 December 2020 as assessed by Tongzhi Xinde, the valuer appointed by the Company, using the income approach (i.e. corporate free cash flow model), and after taking into account the following factors: (1) the asset-based method fails to illustrate an objective determination of the intangible asset values of the customer relationship and human resources of the Target Company created under market competition; (2) the Target Company has since its incorporation experienced steady growth in sales revenue in the midst of expanding its market share. Through market

competition, the Target Company has established collaborative relationships with various large domestic central state-owned producers of raw materials and other upstream companies, in particular, the Target Company is a 3A strategic customer of Northwest Chemical Products Sales Branch of PetroChina Company Limited (中國石油天然氣股份有限公司西北化工銷售分公司). The Capital Increase will further improve the bargaining power and cost control ability of the Company; (3) the Target Company has stable cooperation with its downstream customers while constantly expanding its sales network, which will help to expand the sales network of agricultural plastic water saving irrigation equipment and plastic pipelines of the Company; and (4) the income approach is based on the future profitability of the business and takes into full consideration the intangible assets including customer relationships, sales network and human resources developed by the business under market competition, which can objectively reflect the value of the business. It is contemplated that the amount of capital contribution payable by the Company will be financed by internal resources of the Group.

### **Conditions Precedent to Completion**

Under the Capital Increase Agreement, Completion is conditional upon the satisfaction of the Conditions Precedent, which are summarised as follows:

- (a) the Capital Increase having been approved by the Shareholders at an extraordinary general meeting of the Company or, if permitted under applicable laws (including but not limited to the Listing Rules), by the controlling Shareholders of the Company in writing;
- (b) the Target Company having provided the Company with (i) the written shareholders' resolution and written board resolution approving the Capital Increase; and (ii) a written confirmation from Ms. Deng and Mr. Li in relation to waiving their pre-emptive rights in respect of the Capital Increase;
- (c) the Target Company, Ms. Deng and Mr. Li having undertaken that the information disclosed to the Company in relation to the assets, liabilities, interests, external guarantees of Target Company and in relation to the Capital Increase Agreement is true; that the undertakings and warranties given by the Target Company, Ms. Deng and Mr. Li are true and accurate without concealment, fraud or omission; and
- (d) the Parties having completed the signing of all documents required for the Capital Increase, and there having been no other material matters that would impede Completion.

### **Completion**

Completion shall take place on the tenth Business Day immediately following the satisfaction of the last item of the Conditions Precedent (in any event not later than the Long Stop Date), or such other date as may be agreed by the Parties.

Upon the execution of the Capital Increase Agreement, Ms. Deng and Mr. Li undertake to take all necessary actions to assist the Target Company in obtaining all the approvals and completing the change of registration under the Capital Increase Agreement.

### **Equity transfers or pledges**

Ms. Deng and Mr. Li undertake that from the signing of the Capital Increase Agreement to the date of Completion, except with the prior written consent of the Company, Ms. Deng and Mr. Li shall not transfer or pledge the equity interest in the Target Company or transfer the material assets of the Target Company to a third party other than the Company. The Target Company undertakes that from the signing of the Capital Increase Agreement to the date of Completion, except with the prior written consent of the Company, the Target Company shall not provide guarantee to any person, enterprise or other entity other than the Target Company or its subsidiaries.

### **Termination**

The Capital Increase Agreement may be terminated under any of the following circumstances:

- (a) if any of the Conditions Precedent is not satisfied prior to the Long Stop Date or the Target Company, Ms. Deng and Mr. Li are in breach of the representations, warranties or undertakings under the Capital Increase Agreement, the Company may terminate the Capital Increase Agreement by giving a notice in writing to the Parties;
- (b) if Ms. Deng and Mr. Li have not completed the registration of industrial and commercial changes within 10 Business Days from the date of payment of the entire capital contribution made by the Company, the Company shall have the right to terminate the Capital Increase Agreement, in which case Ms. Deng and Mr. Li shall be responsible for returning to the Company all the funds paid by the Company together with interest (calculated based on the lending interest rate as published by the bank prevailing over the same period and same type) and shall be jointly and severally liable for such obligation of repayment; and

### **Capital contribution after Completion and operation of the Target Company**

The Parties have agreed that the Company and Ms. Deng will provide borrowings in a total amount of RMB20,000,000 to the Target Company as liquidity after Completion, of which the Company will provide borrowing amounting to RMB6,800,000 and Ms. Deng will provide borrowing amounting to RMB13,200,000. The Target Company, the Company and Ms. Deng will enter into separate agreements in relation to the borrowing obligations after Completion.

The Company has agreed that the Target Company will continue to retain its existing management, technical officers and general employees.

The Capital Increase will be used for the overall development of the Target Company. The proceeds from the Capital Increase will be invested in the development and comprehensive growth of the business of the Target Company in accordance with the future business development requirements of the Target Company. The specific authority to use the Target Company's capital shall be delegated by the shareholders' general meeting of the Target Company after the registration of the industrial and commercial changes to the board of directors or by the board of directors to the management who will proceed in accordance with the articles of association and other relevant policies.

### **Income Guarantee and Equity Transfer**

The Company agrees that the Target Company continues to employ its existing management, technical officers and general employees. Upon Completion, the Target Company is required to guarantee that its subsequent annual (i) operating revenue after tax will not be less than the amount as audited in the previous accounting year and (ii) the return on net assets (i.e. net profit/net assets) will not be less than 12%. Where the results of the Target Company fail to meet the above criteria, the Company shall be entitled to (i) request for the transfer of its 34.06% equity interest in the Target Company to either Ms. Deng or Mr. Li, while Ms. Deng and Mr. Li shall unconditionally accept the entire equity interest transferred by the Company; or (ii) require Ms. Deng and Mr. Li to undertake the obligation to pay monetary amounts at a borrowing interest rate not lower than that for the same period of the Capital Increase. In the event that the Company transfers its 34.06% equity interest in the Target Company to Ms. Deng and Mr. Li, the transfer price of the equity interest shall be calculated based on the higher of (i) the transfer price = the valuation of the transferred equity interest in the valuation report issued by an independent valuer appointed by the Company  $\times (1 + 10\%)$ ; or (ii) the transfer price = the valuation of the transferred equity interest in the valuation report issued by an independent valuer appointed by the Company + 10% of the proceeds from the capital contribution by the Company.

### **Shareholders' General Meeting, Board of Directors and Board of Supervisors of the Target Company**

The shareholders' general meeting of the Target Company have the authority to make decisions on all material matters of the Target Company. The material matters decided by the shareholders' general meeting of the Target Company shall be subject to the approval by the shareholders holding at least two-thirds of the equity interest in the Target Company, and such material matters shall be stipulated in the articles of association of the Target Company.

Upon Completion, the board of directors of the Target Company will comprise three directors, of which two directors will be appointed by the Company and one director will be appointed by Ms. Deng. The chairman and the chief financial officer of the Target Company will be appointed by the Company. Matters decided by the board of directors of the Target Company shall be subject to the approval by a majority of all Directors.

Upon Completion, the Target Company will not establish any board of supervisors. Only one supervisor will be appointed by the board of directors of the Target Company upon the recommendation by Ms. Deng.

## INFORMATION ON THE TARGET COMPANY

The Target Company was established on 19 March 2015 with a registered capital of RMB6,000,000. As at the date of this announcement, the Target Company is owned as to 90% by Ms. Deng and as to 10% by Mr. Li, respectively. The Target Company is principally engaged in the sales of plastic raw materials and products in the PRC, which mainly include polyethylene and polypropylene.

Changes to the shareholding of the Target Company before and after the Capital Increase are as follow:

<b>Shareholders</b>	<b>Percentage of the existing shareholding (%)</b>	<b>Percentage of the shareholding immediately upon Completion (%)</b>
the Company	0	34.06
Ms. Deng	90	59.34
Mr. Li	10	6.59
<b>Total</b>	<u>100</u>	<u>100</u>

The financial results of the Target Company for each of the two years ended 31 December 2019 and 2020 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2019 (audited) RMB'0,000</b>	<b>2020 (audited) RMB'0,000</b>
Profit before tax	13.65	53.56
Profit after tax	12.50	50.33

The audited net asset value of the Target Company as at 31 December 2020 was RMB7,421,400.

According to the asset valuation report issued by Tongzhi Xinde, as at 31 December 2020 (being the valuation date), the appraised value of the net assets of the Target Company amounted to RMB8,866,900 using the income approach.

Upon Completion, the Target Company will become a subsidiary of the Target Company, and its financial results, assets, liabilities and cash flows will be consolidated in the consolidated financial statements of the Company.

## **PROFIT FORECAST IN RELATION TO THE VALUATION METHOD**

As the valuation conclusion of the asset valuation report issued by Tongzhi Xinde is based on the valuation results adopting the income approach (i.e. corporate free cash flow model), the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

According to Rule 14.62 of the Listing Rules, the major assumptions for preparing such valuation (including commercial assumptions on which the profit forecast is based) are set out as follows:

### **General assumptions:**

- (1) All the documents and materials provided by the Company and the Target Company are true, valid and accurate.
- (2) There are no significant changes in the PRC's macroeconomic policies and the social and economic environment of the region where the Target Company is located.
- (3) The tax policy, loan interest rate and currency exchange rate which the business operation and valuation relied on have no significant change that will affect the conclusion of valuation.
- (4) The effect of natural forces and other force majeure events and the impact that a particular trading method may have on the valuation results are not taken into consideration.
- (5) Apart from known and disclosed matters, there is no uninformed off-balance assets and liabilities, securities or guarantees, material subsequent matters, and the Target Company has legal ownership of the assets included in the scope of valuation.

### **Specific assumptions for valuation under the income approach:**

- (1) The operation of the Target Company will remain in its current model without taking into consideration the expansion of the scale of operation, in which case, the net profits earned each year will not be retained in the Target Company for additional investments, and the existing operating capacity and operation of the Target Company will remain unchanged.



- (2) The depreciation of the Target Company's fixed assets is fully used for the maintenance and renewal of the original fixed assets in order to maintain the Target Company's operating capacity.
- (3) The impact of inflation on the Target Company's operations and the impact of future investment plans on the cash flow are not taken into consideration.
- (4) There will be no new changes in the macroeconomic environment facing the Target Company. For instance, various national policies in favour of the Target Company will remain at the current levels.
- (5) The calculation of the Target Company's income is based on the accounting year while the income and expenses are evenly spread over the year.
- (6) The forecast only focuses on the operating income, costs and expenses of the Target Company for the next five years, and the above indicators for each year after the fifth year are assumed to remain at the same level of the fifth year in the future (i.e. 2025).
- (7) On a going concern basis, the Target Company's operations may have perpetual existence under the proper management of the operator, and therefore its operating period is presumed to be indefinite under the valuation convention.
- (8) The creditable value-added tax of the Target Company at the beginning of the period is set off at a certain percentage during the forecast period.

Pan-China Certified Public Accountants LLP, the reporting accountant of the Company, has reviewed and reported to the Directors on the arithmetic accuracy of the calculations under the corporate free cash flow model on which the asset valuation report was based. The preparation of the asset valuation report based on the corporate free cash flow model does not involve the adoption of accounting policies.

The Directors confirmed that the total equity value of the Target Company in the asset valuation report was determined after their due and prudent enquiry. Letters issued by Pan-China Certified Public Accountants LLP and the Board are set out in Appendix I and Appendix II to this announcement, respectively. The following are the qualifications of Tongzhi Xinde and Pan-China Certified Public Accountants LLP:

<b>Name</b>	<b>Qualification</b>
Tongzhi Xinde (Beijing) Assets Appraisal Co., Ltd.* (同致信德(北京)資產評估有限公司)	professional valuer
Pan-China Certified Public Accountants LLP	PRC certified public accountants

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, each of Pan-China Certified Public Accountants LLP and Tongzhi Xinde is an Independent Third Party. As at the date of this announcement, neither Pan-China Certified Public Accountants LLP nor Tongzhi Xinde has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate any person(s) to subscribe for securities in any member of the Group. Each of Pan-China Certified Public Accountants LLP and Tongzhi Xinde has given and has not withdrawn its consent to the publication of this announcement with inclusion of its opinion and advice and all references to its name in the form and context in which it appears in this announcement.

## **INFORMATION ON THE PARTIES**

### **The Company**

The Company is mainly engaged in the development, processing, production and marketing of agricultural plastic water saving irrigation equipment and plastic pipelines, and the construction and installation of water saving irrigation systems.

### **The Target Company**

The Target Company is a private company with limited liability established on 19 March 2015 with its business address at No. 1607, Unit 1, Building 4, No. 802 Anju South Road, Urumqi, with a registered capital of RMB6 million. The Target Company was jointly established by the shareholders Ms. Deng and Mr. Li, who contributed the paid-up capital in the amounts of RMB5.4 million and RMB0.6 million, representing 90% and 10% of its equity interest, respectively. The Target Company is currently principally engaged in the sales of plastic raw materials and products, lubricants, metal materials, machinery and equipment, agricultural and livestock products, electronic products, instruments and apparatus, agricultural films, mulch and building materials. The Target Company has over 200 stable end customers and has become a Class A distributor of PetroChina Northwest Sales Branch (中石油西北銷售公司), with an annual trading volume of nearly 100,000 tonnes and a trading value of approximately RMB550 million. According to the public information of the distributor list of Sinopec Northwest Oilfield Company (西北石油化工公司), the Target Company's sales volume of plastic chemical materials in Xinjiang ranks in the top three. Through strong alliances and complementary advantages, the Target Company plans to cooperate with the Company at a deeper level on achieving broader business development utilizing the platform of a state-owned listed company.

### **Ms. Deng**

Ms. Deng is a citizen of the PRC, who holds 90% equity interest in the Target Company as at the date of this announcement.

## **Mr. Li**

Mr. Li is a citizen of the PRC, who holds 10% equity interest in the Target Company as at the date of this announcement;

## **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE CAPITAL INCREASE AGREEMENT**

Upon Completion, the Target Company will become a subsidiary of the Company. Through the Capital Increase, the Group will tap into the stable supply of and huge market demand for plastic products of the Target Company, so as to capture the opportunities and momentum of the rapid development of the plastic products industry in the PRC. The Group will also benefit from the powerful sales network of the Target Company, which will provide a stable sales channel for the Group's production capacity and help strengthen the Group's business and market position in the midst of meeting the requirements of future business development.

Given that the Capital Increase and the transactions contemplated under the Capital Increase Agreement were made after arm's length negotiations, the Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement was entered into on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio in respect of the Capital Increase exceeds 25% but is less than 100%, the Capital Increase and the transactions contemplated under the Capital Increase Agreement constitute a major transaction of the Company and are therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, if (i) no shareholder is required to abstain from voting if the listed company were to convene a general meeting for the approval of the transaction; and (2) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction, written shareholders' approval for a major transaction may be accepted in lieu of holding a general meeting.

No Shareholders or any of their respective associates are interested in the Capital Increase and the transactions contemplated under the Capital Increase Agreement, and no Shareholders would be required to abstain from voting at the general meeting convened for the approval of the Capital Increase. As at the date of this announcement, the Relevant Shareholders, being a closely allied group of Shareholders controlling a total of 313,886,921 Shares, representing approximately 60.42% of the Company's issued share capital, have approved the Capital Increase by way of a written approval pursuant

to Rule 14.44 of the Listing Rules. Accordingly, no general meeting of the Company shall be convened to approve the Capital Increase and the transactions contemplated under the Capital Increase Agreement.

The respective interests of the Relevant Shareholders in the Shares and relationship among the Relevant Shareholders are summarised in the table below:

<b>Name of the Relevant Shareholders (place of incorporation)</b>	<b>Number and percentage of Shares held</b> <i>(Note 1)</i>	<b>Beneficial owner(s) of the Relevant Shareholders</b>
Tianye Company (Incorporated in the PRC)	202,164,995 (38.91%)	51.3% equity interest directly held by Tianye Group
Tianye Group (Incorporated in the PRC)	111,721,926 (21.51%)	wholly owned by the State-owned Assets Supervision and Administration Commission of the XPCC Eighth Agricultural Division, which is the administrative management authority of XPCC Eighth Agricultural Division

*Note:*

1. The percentage was calculated based on 519,521,560 issued Shares as at the date of this announcement.

A circular containing, among other things, further details of the Capital Increase and the transactions contemplated under the Capital Increase Agreement, and other information as required under the Listing Rules, shall be despatched to the Shareholders on or before 17 June 2021.

**As Completion is subject to the satisfaction and/or waiver (where applicable) of the Conditions Precedent, the Capital Increase and the transactions contemplated under the Capital Increase Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”                          the board of directors of the Company;

“Business Day(s)”	any day(s) on which the banks in Hong Kong and the PRC are open for general commercial business (other than Saturday, Sunday or public holidays);
“Capital Increase”	the injection of capital contribution of RMB3,100,000 into the capital of the Target Company and the injection of capital contribution of RMB1,481,200 into the capital reserve of the Target Company by the Company pursuant to the terms of the Capital Increase Agreement;
“Capital Increase Agreement”	the capital increase agreement dated 26 May 2021 entered into among the Company, the Target Company, Ms. Deng, and Mr. Li, in respect of the Capital Increase;
“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 on 18 December 2003, and the H Shares of which are listed and traded on the Main Board of the Stock Exchange;
“Completion”	completion of the Capital Increase;
“Conditions Precedent”	conditions precedent to the Completion as set out in the section headed “Conditions Precedent to Completion”;
“Connected Person(s)”	has the meaning as defined under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	domestic share(s) with nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the overseas listed foreign invested share(s) with 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\$;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Third Party(ies)”	persons(s) or company(ies) which is(are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 September 2021, or such other date as may be agreed in writing by the Parties;
“Mr. Li”	Mr. Li Yang (李陽), holding 10% equity interest in the Target Company as at the date of this announcement;
“Ms. Deng”	Ms. Deng Hongwen (鄧紅文), holding 90% equity interest in the Target Company as at the date of this announcement;
“Parties”	the parties to the Capital Increase Agreement, namely, the Company, the Target Company, Ms. Deng, and Mr. Li, and each “Party” shall mean any of them;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Relevant Shareholders”	Tianye Company and Tianye Group, a closely allied group of Shareholders which control in aggregate 313,886,921 Shares, representing approximately 60.42% of the issued share capital of the Company as at the date of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	H Share(s), the Domestic Share(s) and all share(s) of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company;
“Shareholder(s)”	the holder(s) of H Share(s) and Domestic Share(s) from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Urumuqi Hongrui Plastic Trade Limited* (烏魯木齊泓瑞塑化商貿有限公司), a company incorporated in the PRC with limited liability;

- “Tianye Company” Xinjiang Tianye Company Limited\* (新疆天業股份有限公司), a company established in the PRC with limited liability on 9 June 1997, the A shares of which are listed on the Shanghai Stock Exchange. It holds 202,164,995 Domestic Shares, representing approximately 38.91% of the registered capital of the Company, and is the controlling shareholder of the Company as at the date of this announcement;
- “Tianye Group” Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司), a company established in the PRC with limited liability on 28 June 1996, which is wholly owned by the State-owned Assets Supervision and Administration Commission of the XPCC Eighth Agricultural Division. It holds 111,721,926 Domestic Shares, representing approximately 21.51% of the registered capital of the Company, and is interested in 51.3% equity interest of Tianye Company as at the date of this announcement;
- “Tongzhi Xinde” Tongzhi Xinde (Beijing) Assets Appraisal Co., Ltd.\* (同致信德(北京)資產評估有限公司), an independent valuer; and
- “%” per cent.

By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited**  
**Chen Lin**  
*Chairman*

Hong Kong, 26 May 2021

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Lin (Chairman), Mr. Huang Dong and Mr. Tan Xinmin, and four independent non-executive Directors, namely Mr. Yin Feihu, Mr. Qin Ming, Ms. Gu Li and Mr. Hung Ee Tek.*

\* For identification purposes only

## **APPENDIX I — REPORT FROM PAN-CHINA CERTIFIED PUBLIC ACCOUNTANTS LLP**

*The following is the text of a report received from the reporting accountant of the Company, Pan-China Certified Public Accountants LLP, for incorporation in the announcement. This letter is prepared in Chinese and translated into English. In case there is any inconsistency, the Chinese version shall prevail.*

**TO THE DIRECTORS OF XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED\* (新疆天業節水灌溉股份有限公司) (THE “COMPANY”)**

We have been engaged to report on the arithmetical accuracy of the calculations of the forecast under the corporate free cash flow model (the “**Corporate Free Cash Flow Model**”) based on which the asset valuation report dated 19 May 2021 prepared by Tongzhi Xinde (Beijing) Assets Appraisal Co., Ltd.\* (同致信德(北京)資產評估有限公司) in respect of the valuation of the entire equity interest in Urumuqi Hongrui Plastic Trade Limited\*(烏魯木齊泓瑞塑化商貿有限公司) (the “**Target Equity Interest**”) as at 31 December 2020 is based. The valuation is set out in the Company’s announcement dated 26 May 2021 (the “**Announcement**”). The valuation based on the Corporate Free Cash Flow Model is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### **Directors’ responsibilities**

The directors of the Company (the “**Directors**”) are responsible for the preparation of the forecast under the Corporate Free Cash Flow Model. The forecast under the Corporate Free Cash Flow Model has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the responsibility of the Directors. The Assumptions are set out in the section headed “Profit Forecast in relation to the Valuation Method” of the Announcement.

### **Our independence and quality control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



Our firm applies the Hong Kong Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants' responsibilities**

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the forecast under the Corporate Free Cash Flow Model based on our work. The forecast under the Corporate Free Cash Flow Model does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the HKICPA. This standard requires us to plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the forecast under the Corporate Free Cash Flow Model in accordance with the adopted Assumptions. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the forecast under the Corporate Free Cash Flow Model that is based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with the Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the forecast under the Corporate Free Cash Flow Model is based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Equity Interest. The Assumptions used in the preparation of the forecast under the Corporate Free Cash Flow Model include hypothetical assumptions on future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, it is still possible for actual results to be different from the forecast under the Corporate Free Cash Flow Model and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other persons in respect of our work, or arising out of or in connection with our work.

## **Opinion**

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the forecast under the Corporate Free Cash Flow Model is concerned, the forecast under the Corporate Free Cash Flow Model has been properly prepared in all material respects in accordance with the Assumptions adopted by the Directors.

## **Limitation of Use**

This assurance report has been prepared for the use by the board of Directors of the Company only. We do not assume any responsibility to any other persons in respect of the contents of this report.

*\* For identification purposes only*

## **Pan-China Certified Public Accountants LLP**

Hangzhou, the PRC  
26 May 2021

## APPENDIX II — LETTER FROM THE BOARD

*The following is the text of the letter dated 26 May 2021 from the Board which was prepared for inclusion in this announcement.*

To: Listing Division of The Stock Exchange of Hong Kong Limited  
12th Floor, Two Exchange Square,  
8 Connaught Place, Central, Hong Kong

Dear Sir/Madam,

Company: Xinjiang Tianye Water Saving Irrigation System Company Limited\* (新疆天業節水灌溉股份有限公司) (the “**Company**”)

Re: Profit forecast – confirmation letter under the requirements of Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)

Reference is made to the announcement of the Company dated 26 May 2021 in relation to the valuation report (the “**Valuation Report**”) dated 19 May 2021 in respect of the valuation of the entire equity interest of shareholders in Urumuqi Hongrui Plastic Trade Limited\* (烏魯木齊泓瑞塑化商貿有限公司) prepared by Tongzhi Xinde (Beijing) Assets Appraisal Co., Ltd.\* (同致信德(北京)資產評估有限公司) (the “**Valuer**”) using the income approach.

The board of directors of the Company (the “**Board**”) has reviewed and discussed with the Valuer the basis and assumptions of the Valuation. The Board has also considered the report issued by Pan-China Certified Public Accountants LLP, the reporting accountant of the Company on 26 May 2021 in relation to the arithmetical accuracy of the calculations of the profit forecast in the Valuation Report.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board confirmed that the profit forecast used in the aforesaid Valuation Report has been made after due and careful enquiry.

\* *For identification purposes only*

By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited**  
**Chen Lin**  
*Chairman*

26 May 2021