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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 AND CONNECTED TRANSACTION  
DISPOSAL OF ASSET**

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



**INCU Corporate Finance Limited**

The Board is pleased to announce that on 13 February 2023, Tianye Company, as the Purchaser, entered into the Asset Transfer Agreement with the Company, as the Vendor, pursuant to which the Company has conditionally agreed to sell, and Tianye Company has conditionally agreed to acquire, the Target Assets at a consideration of RMB26,608,400.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tianye Company is the controlling shareholder of the Company, holding approximately 38.91% of the issued share capital of the Company, and therefore it is a connected person (as defined in the Listing Rules) of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more percentage ratios of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules; and the Disposal also constitutes a connected transaction of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EXTRAORDINARY GENERAL MEETING**

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

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Disposal 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 Disposal. A circular containing, among other things, (i) further details of the Disposal; (ii) recommendation from the Independent Board Committee in relation to the Disposal; (iii) the advice from the Independent Financial Adviser in relation to the Disposal; (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, is expected to be dispatched to the Shareholders on or before 2 March 2023 and published on the websites of the Stock Exchange and the Company.

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

### **INTRODUCTION**

The Board is pleased to announce that on 13 February 2023, Tianye Company, as the Purchaser, entered into the Asset Transfer Agreement with the Company, as the Vendor, pursuant to which the Company has conditionally agreed to sell, and Tianye Company has conditionally agreed to acquire, the Target Assets at a consideration of RMB26,608,400.

## ASSET TRANSFER AGREEMENT

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

- Date : 13 February 2023 (after trading hours of the Stock Exchange)
- Parties : 1. The Company (as the Vendor); and  
2. Tianye Company (as the Purchaser)
- Subject Matter : In accordance with the terms and conditions of the Asset Transfer Agreement, the Company has conditionally agreed to sell, and Tianye Company has conditionally agreed to acquire, the Target Assets.
- Target Assets : The Target Assets are a number of buildings (structures) and equipment owned by the Company (a total of 24 items), including:
1. Buildings (structures): a total of 21 items, including pipe workshop, profile workshop, raw material warehouse, security guard office, cargo yard, floor, water circulation pool, cord covers (channels), heating facilities, water supply system; and
  2. Equipment: a total of 3 items, including PVC mixed production line, mixed batching system, and cargo elevator.
- Consideration and basis of determination : The consideration of the Target Assets is RMB26,608,400.  
The aforesaid consideration was determined after arm's length negotiations between the Company and Tianye Company with reference to the appraised market value of the Target Assets of RMB26,608,400 on the Appraisal Reference Date, which was appraised by the PRC Independent Valuer using the cost approach in the Asset Valuation Report. The construction of the Target Assets was funded by the Company, which was completed between October 2007 and December 2021, respectively.
- Payment terms : The consideration of the Target Assets shall be paid by Tianye Company in a lump sum by cash to such an account as designated by the Company within five working days from the date of fulfillment of the conditions precedent to the Asset Transfer Agreement.

Terms of performance : Following execution of the Asset Transfer Agreement, the parties shall conduct an inventory count and check based on the list of Target Assets, which shall be also completed within five business days from the date of the Asset Transfer Agreement. The Company shall provide Tianye Company with the relevant certificates and licenses in relation to the Target Assets and all information relating to the construction of the Target Assets.

The valuation fees of the Target Assets shall be borne by the Company, while other taxes and expenses incurred during the asset transfer shall be borne by both parties respectively. All relevant expenses and liabilities in relation to relevant ownership or change of ownership registration required after the transfer of the Target Assets, shall be borne by Tianye Company. The Company shall assist Tianye Company in completing real estate ownership certificates in respect of the buildings included in the Target Assets.

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

1. the approval of the Board in respect of the Disposal having been obtained by the Company according to the articles of association;
2. the approval of its Independent Shareholders and the review and approval of the general meeting in respect of the Disposal having been obtained by the Company; and
3. the announcement and circular requirement and relevant requirements under the Listing Rules having been complied with by the Company.

Transitional Period Arrangement : During the Transitional Period, the Company is required to manage the Target Assets properly and shall not do anything harmful to the Target Assets.

## BACKGROUND INFORMATION ABOUT TARGET ASSETS

The Target Assets are a number of buildings (structures) and equipment owned by the Company (a total of 24 items), including:

1. Buildings (structures): a total of 21 items, including pipe workshop, profile workshop, raw material warehouse, security guard office, cargo yard, floor, water circulation pool, cord covers (channels), heating facilities, water supply system; and
2. Equipment: a total of 3 items, including PVC mixed production line, mixed batching system, and cargo elevator.

The Target Assets are generally in good condition and their daily maintenance remains normal, all of which are accessible as usual without any damage. Fully installed with water and power supply and fire-fighting facilities, the Target Assets are located in a well-developed light industrial park, which is in close proximity to the high-speed rail, railway and urban areas, offering easily accessible transportation.

On 26 May 2020, the Company entered into a lease agreement with its controller Tianye Group in respect of the profile workshop included in the Target Assets, for a lease period from 1 July 2020 to 31 June 2023 at an annual rent of RMB426,000 (including property management fees). None of the remaining Target Assets involve leasing.

## FINANCIAL INFORMATION ABOUT TARGET ASSETS

Part of the Target Assets, being profile workshop, are currently leased out for rental income. The net profit (the annual rental income after taking into account all related disbursements for managing the Properties both before and after taxation) attributable to such part of the Target Assets for the financial years ended 31 December 2022 and 31 December 2021 was as follows:

	<b>For the year ended 31 December 2022 (Unaudited) <i>RMB</i></b>	<b>For the year ended 31 December 2021 (Unaudited) <i>RMB</i></b>
Approximate net profit before tax	426,000	426,000
Approximate net profit after tax	406,000	406,000

As at 31 December 2022, the unaudited net book value and original book value of the Target Assets were RMB20,312,000 and RMB35,082,000, respectively.

## **FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP**

Upon completion of the Disposal, the Company will no longer have any rights or interests in the Target Assets. As a result of the Disposal, the Company is expected to record a gain on disposal of RMB6,399,000, which, after deducting the estimated expenses in relation to the Disposal of approximately RMB300,000, will result in an increase in the Group's actual gain of approximately RMB6,099,000 (before tax), subject to audit.

## **USE OF PROCEEDS FROM THE DISPOSAL**

The proceeds from the Disposal are expected to be used for general working capital of the Company and/or possible business investments.

## **REASONS AND BENEFITS OF THE DISPOSAL**

The holder of the land use rights certificates for the Target Assets is Tianye Company, the controlling shareholder of the Company, which does not meet the requirements of "integration of property and land use right" under the real estate administration laws and regulations. To clarify the ownership of the Target Assets and promote asset preservation and appreciation, the Company will dispose the Target Assets to Tianye Company, so that the said ownership is clarified without any dispute for occupation purposes, ensuring that there will be no substantial impact on the production and operation of the two companies. At the same time, in compliance with the requirements of "integration of property and land use right", Tianye Company can also successfully complete the real estate ownership certificates for the two plants, ensuring the preservation and appreciation of the state-owned assets.

## **VIEWS OF DIRECTORS ON THE DISPOSAL AND ABSTENTION FROM VOTING ON RESOLUTIONS BEFORE THE BOARD**

The Directors (including the Independent Non-executive Directors) believe that the Disposal is determined on normal commercial terms that is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ms. Yang Ling and Mr. Jiang Dayong, Executive Directors of the Company, have abstained from voting on the approval of the Disposal at the meeting of the Board, as they have material interests therein as a member of the Committee of the Communist Party of PRC and the assistant to the general manager of operation of Tianye Group, respectively. Save as disclosed above, none of the Directors have material interests in the Disposal.

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

Tianye Company is principally engaged in the production and sales of plastic and chemical products; vehicles transportation; sales of machinery facilities (other than small vehicles and those products required special approval by the government of the PRC), construction materials, electric apparatus, steel productions, grain, cotton and linen products, textiles products, vehicle accessories, livestock products and fresh fruits; agricultural cultivation, livestock feeding and exploitation of land and agricultural water for use; production and sales of tomato paste; recycling, reprocessing and sales of used plastic, import and export of goods and technologies; and processing of agricultural by-products.

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 is also engaged in the provision of installation services of water saving irrigation systems for its customers, as well as land circulation and hydraulic engineering business, and strategic development of digital agriculture and agriculture service business.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Tianye Company is the controlling shareholder of the Company, holding approximately 38.91% of the issued share capital of the Company, and therefore it is a connected person (as defined in the Listing Rules) of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more percentage ratios of the Disposal exceed 25% but are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules, while the Disposal also constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee of the Company has been established to advise the Independent Shareholders in relation to the Disposal. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

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

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

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

### **GENERAL**

A circular containing, among other things, (i) further details of the Disposal; (ii) recommendation from the Independent Board Committee in relation to the Disposal; (iii) the advice from the Independent Financial Adviser in relation to the Disposal; (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, is expected to be dispatched to the Shareholders on or before 2 March 2023 and published on the websites of the Stock Exchange and the Company.

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



## DEFINITIONS

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

“Appraisal Reference Date”	30 November 2022
“Asset Transfer Agreement”	the asset transfer agreement entered into by the Company and Tianye Company on 13 February 2023 in relation to the Disposal
“Asset Valuation Report”	The Asset Valuation Report (Jingkun Ping Bao Zi [2023] No. 0054) by the PRC Independent Valuer of Certain Fixed Assets on the Appraisal Reference Date Held by Xinjiang Tianye Water Saving Irrigation System Company Limited* (新疆天業節水灌溉股份有限公司) Involved in its Proposed Asset Transfer (京坤評報字[2023]0054號新疆天業節水灌溉股份有限公司擬進行資產轉讓涉及的其持有的部分固定資產價值項目資產評估報告)
“associate(s)”	has the meaning as defined under the Listing Rules
“Board”	the board of directors
“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
“Directors”	the directors of the Company
“Disposal”	the disposal of Target Assets as contemplated under the Asset Transfer Agreement
“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
“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\$
“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 “INCU”	INCU Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Disposal
“Independent Shareholders”	Shareholders other than Tianye Group, and Tianye Company and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Independent Valuer”	Beijing KYSIN Assets Appraisal Co., Ltd.* (北京坤元至誠資產評估有限公司), an independent valuer
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the registered holders of H Shares and Domestic Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	a number of housing construction (structures) buildings and equipment owned by the Company (a total of 24 items), including: <ol style="list-style-type: none"> <li>1. Housing construction (structures) buildings: a total of 21 items, including pipe workshop, profile workshop, raw material warehouse, security guard office, cargo yard, floor, water circulation pool, cord covers (channels), heating facilities, water supply system; and</li> </ol>

2. Equipment: a total of 3 items, including PVC mixed production line, mixed batching system, and cargo elevator.

“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, whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, it owns approximately 38.91% of the registered capital of the Company
“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 Xinjiang Production and Construction Corps Eighth Division SASAC* (新疆生產建設兵團第八師國有資產監督管理委員會). As at the date of this announcement, it is directly and indirectly interested in a total of approximately 45.14% and 60.42% of the registered capital and issued share capital of Tianye Company and the Company, respectively
“Transitional Period”	from the date of execution of the Asset Transfer Agreement to the completion date of registration of change in the ownership of the Target Assets
“%”	percent

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

Xinjiang, the PRC, 13 February 2023

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

\* For identification purposes only