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新疆天業節水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 840)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTIONS

ACQUISITION OF 51% EQUITY INTEREST IN SUBJECT COMPANY

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



INCU Corporate Finance Limited

On 25 November 2022, the Company (as the Purchaser) and Tianhe Yida (as the Vendor) entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Tianhe Yida has conditionally agreed to sell, the Target Equity Interest at a consideration of RMB15,647,200.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tianhe Yida is a wholly-owned subsidiary of Tianye Group, the actual controller of the Company, which directly and indirectly holds a total of approximately 60.42% of the issued share capital of the Company, and therefore Tianhe Yida is a connected person (as defined in the Listing Rules) of the Company. Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

EXTRAORDINARY GENERAL MEETING

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

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

An extraordinary general meeting of the Company will be held to consider and approve, among other things, the ordinary resolution in respect of the Acquisition. A circular containing, among other things, (i) further details of the Acquisition; (ii) recommendation from the Independent Board Committee in relation to the Acquisition; (iii) the advice from the Independent Financial Adviser in relation to the Acquisition; (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, will be dispatched to the Shareholders on or before 14 December 2022 and published on the websites of the Stock Exchange and the Company.

The Acquisition is subject to the fulfillment of certain conditions precedent set out in the Acquisition 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 25 November 2022 the Company (as the Purchaser) and Tianhe Yida (as the Vendor) entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Tianhe Yida has conditionally agreed to sell, the Target Equity Interest at a consideration of RMB15,647,200.

As at the date of this announcement, Tianhe Yida and Shihezi Baiyang held 51% and 49% equity interest in the Subject Company, respectively. Upon Completion, the Subject Company will become a non-wholly owned subsidiary of the Company, and the financial results of the Subject Company will be consolidated into the financial results of the Group.

ACQUISITION AGREEMENT

Major terms of the Acquisition Agreement are set forth as follows:

- Date : 25 November 2022
- Parties : 1. the Company (as the Purchaser); and
2. Tianhe Yida (as the Vendor)
- Subject Matter : In accordance with the terms and conditions of the Acquisition Agreement, the Company has conditionally agreed to purchase, and Tianhe Yida has conditionally agreed to sell, the Target Equity Interest.
- Target Equity Interest : 51% equity interest in the Subject Company
- Consideration and basis of determination : The consideration of the Target Equity Interest is RMB15,647,200.
The aforesaid consideration was determined after arm's length negotiations between the Company and Tianhe Yida with reference to the appraised market value of the 100% equity interest of RMB30,680,800 (of which the corresponding appraisal value of the Target Equity Interest was RMB15,647,200) in the Subject 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 of the Target Equity Interest shall be paid by the Company in a lump sum by cash to such an account as designated by Tianhe Yida within fifteen working days with effect from the Acquisition Agreement.

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

1. The Acquisition Agreement has been duly executed and sealed by the Company and Tianhe Yida;
2. Shihezi Baiyang has waived the first of refusal in respect of the Target Equity Interest;
3. The Acquisition Agreement and the transactions as contemplated thereunder has been approved by the Stock Exchange; and
4. The Company has been in compliance with the relevant requirements under the Listing Rules in respect of the Acquisition 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.

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

As at the date of this announcement, in the case of Condition Precedent 2, Shihezi Baiyang has confirmed that it will waive the first right of refusal in respect of the Target Equity Interest.

Transitional Period Arrangement : Prior to the Date of Completion, Tianhe Yida continues to be the shareholder of the Subject 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 Subject Company. In other words, during the Transitional Period, Tianhe Yida shall be responsible for the profit or loss of the Subject Company in proportion to its shareholding percentage.

Termination : In accordance with the Acquisition Agreement, the Acquisition Agreement will forthwith be terminated or canceled in any of the following conditions:

1. Force majeure results in a delay in the performance or failure to perform the Acquisition Agreement;
2. The Company and Tianhe Yida have agreed to cancel the Acquisition Agreement upon negotiations; and
3. Without prejudice to other terms and conditions of the Acquisition Agreement, prior to Completion of the Target Equity Interest, the Company or Tianhe Yida is in possession of sufficient evidence to prove that the opposing party has given any untruthful or misleading statement, guarantee, and undertaking under, or failed to perform, the Acquisition Agreement, the non-defaulting party shall be entitled to terminate the Acquisition Agreement by serving a written notice to the defaulting party, who shall unconditionally agree to such termination.

BACKGROUND INFORMATION ABOUT SUBJECT COMPANY

The Subject Company is a company legally established and subsisting with limited liability in China on 5 October 2017. As of the date of this announcement, its registered capital and paid-in capital are both RMB25,000,000. Its business scope includes pre-mixed concrete and products; vehicle leasing; construction engineering equipment leasing; on-road general cargo transportation, special cargo transportation (tank-based container) (exclusive of hazardous chemicals, flammables and explosives). To the best of our Directors' knowledge, information and belief after making all reasonable enquiries, Tianhe Yida subscribed for the registered capital of RMB12,750,000 in the Subject Company on 31 December 2017, representing a shareholding percentage of 51%.

The Subject Company is a manufacturer specialized in concrete production with an annual output up to 300,000 cubic meters of concrete. Besides two leading specialized automatic double-180 concrete production lines, the Subject Company has more than 22 concrete mixer trucks of various types and 7 concrete pump trucks of various models with advanced performance, which can meet the demand of concrete transportation for various construction projects, as well as ultra-distance and ultra-height projects.

FINANCIAL INFORMATION ABOUT SUBJECT COMPANY

The following major financial data is extracted from the audited financial information of the Subject Company for the six months ended 30 June 2022 and the two financial years ended 31 December 2020 and 31 December 2021 based on the latest financial information of the Subject Company available to the Company as at the date of this announcement:

	For the six months ended 30 June 2022 (Audited) RMB	For the year ended 31 December 2021 (Audited) RMB	For the year ended 31 December 2020 (Audited) RMB
Net profit/(loss) before tax	(1,672,621.69)	7,550,183.12	6,206,768.70
Net profit/(loss) after tax	(1,406,128.59)	5,574,331.68	4,533,985.14

As at 30 June 2022, the audited net liabilities, audited total asset, and net asset of the Subject Company were RMB31,416,005.76, RMB60,524,060.34, and RMB29,108,054.58, respectively.

Based on the valuation on the Subject Company by the PRC Independent Valuer, the appraised market value of the Subject Company on the Valuation Benchmark Date was RMB30,680,800.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

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

REASONS AND BENEFITS OF THE ACQUISITION

Currently, the Subject Company is principally engaged in pre-mixed concrete production, construction engineering equipment, cargo transportation, and other business activities related to construction projects. With engineering construction-related experience and equipment, an excellent management team, an outstanding track record and convenient service conditions, the Subject Company is well positioned to provide a full range of engineering construction auxiliary services and work.

As the segment of construction projects is a primary orientation under the Company's development strategy, five subsidiaries of the Company are currently in possession of the third-grade qualifications for building construction, water conservancy and hydropower construction, and municipal construction which have the capabilities to engage in infrastructure construction for workshops, houses and water conservancy facilities, as

they demonstrate their advantages and qualifications in project construction experiences, technologies, market position, personnel, and other areas. Centering on the strategic planning of “product + engineering” to fulfil its mission of higher quality, higher efficiency and sustainable development, the Company proposes the acquisition of 51% equity interest in the Subject Company held by Tianhe Yida, which aims to build a strong partnership with the Subject Company, share resources, and leverage their respective advantages and synergy, so as to further expand into the engineering market, strengthen the brand influence, expand the business scale and market share. As a result, the Company will continue to enhance operating capacity and profitability, which provides solid guarantee for the Company’s rapid engineering business expansion, extends its industry chain, and shore up the weak links of its engineering segment, thereby transforming the Company from a simple engineering construction business into a construction service provider of engineering, procurement, and construction (EPC) turnkey projects integrated with related resources in the future.

OPINIONS OF DIRECTORS ON THE ACQUISITION AND ABSTENTION FROM VOTING ON RESOLUTIONS BEFORE THE BOARD

The Directors (including the Independent Non-executive Directors) believe that the Acquisition is determined in the ordinary and usual course of business 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 Acquisition at the meeting of the Board, as they have material interests therein as a member of the Party Committee and the director of the operation and management department of Tianye Group, respectively. Save as disclosed above, none of the Directors have material interests in the Acquisition.

INFORMATION ABOUT TIANHE YIDA AND THE COMPANY

Tianhe Yida is principally engaged in industrial investments, project investments, investment management and asset restructuring. As at the date of this announcement, Tianhe Yida is wholly owned by Tianye Group, which is wholly owned by Xinjiang Production and Construction 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).

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 engineering business, and strategic development of digital agriculture and agriculture service business.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Tianhe Yida is a wholly-owned subsidiary of Tianye Group, the actual controller of the Company, which directly and indirectly holds a total of approximately 60.42% of the issued share capital of the Company, and therefore Tianhe Yida is a connected person (as defined in the Listing Rules) 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.

An Independent Board Committee of the Company has been established to advise the Independent Shareholders in relation to the Acquisition. INCU 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 Acquisition is fair and reasonable and whether it is in the interests of the Company and the Shareholders as a whole.

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

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

GENERAL

A circular containing, among other things, (i) further details of the Acquisition; (ii) recommendation from the Independent Board Committee in relation to the Acquisition; (iii) the advice from the Independent Financial Adviser in relation to the Acquisition; (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, will be dispatched to the Shareholders on or before 14 December 2022 and published on the websites of the Stock Exchange and the Company.

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

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity Interest as contemplated under the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement entered into by the Company and Tianhe Yida on 25 November 2022 in relation to the Acquisition
“Asset Valuation Report”	The Asset Valuation Report (Kaiyuan Ping Bao Zi [2022] No.793) by the PRC Independent Valuer of Market Value on the Valuation Benchmark Date of the Entire Equity Interest Held by the Shareholders of Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* Involved in the Equity Transfer Proposed by Xinjiang Tianhe Yida Investment Co., Ltd.* (開元評報字[2022]0793號《新疆天合意達投資有限公司擬股權轉讓涉及的石河子市絲路天楊預拌砂有限公司股東全部權益市場價值資產評估報告》)
“associate(s)”	has the meaning as defined under the Listing Rules
“Board”	the board of directors of the Company
“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
“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 Tianhe Yida 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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\$
“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 Acquisition
“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”	CAREA Assets Appraisal Co., Ltd
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the registered holders of H Shares and Domestic Shares of the Company
“Shihezi Baiyang”	Shihezi Baiyang Pre-Mixed Concrete Co., Ltd.* (石河子白楊預拌砼有限責任公司), a company with limited liability established in accordance with the laws of the PRC, who held 49% equity interest in the Subject Company as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司), a company with limited liability established in accordance with the laws of the PRC, whose equity interest was held by Tianhe Yida and Shihezi Baiyang as to 51% and 49%, respectively, as at the date of this announcement
“Target Equity Interest”	51% equity interest in the Subject Company
“Tianhe Yida”	Xinjiang Tianhe Yida Investment Co., Ltd.*(新疆天合意達投資有限公司), a company established in the PRC with limited liability, which is wholly-owned by Tianye Group as at the date of this announcement
“Tianye Group”	Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司), a company established in the PRC with limited liability, which is wholly owned by the Xinjiang Production and Construction 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). It is directly and indirectly interested in a total of approximately 60.42% of the issued share capital of the Company as at the date of this announcement
“Transitional Period”	from the Valuation Benchmark Date to the Date of Completion

“Valuation Benchmark Date” 30 June 2022

“%” per cent

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

Xinjiang, the PRC, 25 November 2022

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

** For identification purposes only*