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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)**

**CONNECTED TRANSACTION —  
IN RELATION TO THE DISPOSAL OF 11.63% EQUITY INTERESTS  
IN TIANYE ECOLOGICAL TECHNOLOGY**

**CONNECTED TRANSACTION — EQUITY TRANSFER AGREEMENT**

The Board announces that on 22 June 2020, the Company entered into the Equity Transfer Agreement with Tianye Holdings, pursuant to which the Company agreed to sell and Tianye Holdings agreed to acquire the Sale Equity at the Consideration of RMB5,028,500.

As at the date of this announcement, Tianye Ecological Technology is owned as to 11.63% by the Company and as to 88.37% by Tianye Holdings. Upon the completion of the Disposal, the Company will cease to have any equity interests in Tianye Ecological Technology.

**IMPLICATIONS UNDER THE LISTING RULES**

Tianye Holdings is the controlling shareholder of the Company and holds approximately 60.42% of the issued share capital of the Company in aggregate. Tianye Holdings is a connected person of the Company. Therefore, the Disposal under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio (as defined in the Listing Rules) of the Disposal is more than 0.1% but less than 5% and the consideration for the Disposal exceeds HK\$3,000,000, the Disposal under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **CONNECTED TRANSACTION — EQUITY TRANSFER AGREEMENT**

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### **EQUITY TRANSFER AGREEMENT**

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

#### **Date**

22 June 2020

#### **Parties**

- (1) the Company; and
- (2) Tianye Holdings

#### **Subject matter**

The Company has agreed to sell, and the Purchaser has agreed to acquire the Sale Equity, subject to the terms and conditions of the Equity Transfer Agreement.

#### **Consideration and payment terms**

The consideration for the Disposal payable by Tianye Holdings to the Company is RMB5,028,500. The amount of consideration was determined after arm's length negotiations between the Company and Tianye Holdings with reference to among others, the asset valuation report on the entire equity interests of Tianye Ecological Technology on the Benchmark Date of Equity Transfer issued by Tongzhixingde (Beijing) Assets Appraisal Co., Ltd. (同致信德(北京)資產評估有限公司), an independent valuer, and its registered capital.

The consideration abovementioned is payable in cash by Tianye Holdings to the designated bank account of the Company within 15 working days from the date of the Equity Transfer Agreement.

## Conditions precedent

- (a) the approval of the Board in respect of the Disposal having been obtained by Tianye Holdings according to the articles of association; and
- (b) the relevant requirements under the Listing Rules relating to the Disposal having been complied with by the Company

## Agreement by the parties

- (a) Within 5 working days from the fulfillment of the conditions precedent to the transaction, the Company shall transfer the Sale Equity held by it to Tianye Holdings, and actively cooperate with Tianye Holdings in completing the relevant registration and filing procedures;
- (b) The Company shall unconditionally assist Tianye Holdings to complete the relevant registration and filing procedures and provide relevant documents as required for the purpose of completing the registration and filing procedures of the transfer; and
- (c) The profit or loss of Tianye Ecological Technology during the transition period from the Benchmark Date of Equity Transfer to the completion of the equity transfer shall be attributable to Tianye Holdings.

## INFORMATION ON TIANYE ECOLOGICAL TECHNOLOGY

As at the date of this announcement, Tianye Ecological Technology is owned as to 11.63% and 88.37% by the Company and Tianye Holdings, respectively, both of which has subscribed for registered capital based on their respective percentage. It is a company established under the PRC law with limited liability and is principally engaged in environmental technology promotion services; pollution treatment; solid waste treatment; hazardous waste treatment; soil contamination treatment and rectification services; water contamination treatment; environmental protection and surveillance services; environmental consultation; and sales, installation and maintenance of environmental equipment. Tianye Ecological Technology does not have substantive operations.

The summary of the financial information of Tianye Ecological Technology for the years ended 31 December 2018 and 2019 (audited) and the five months ended 31 May 2020 (unaudited) is set out below:

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the five months ended 31 May 2020</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Profit before tax	0	0	0
Profit after tax	0	0	0

The total assets and net assets of Tianye Ecological Technology as at 31 December 2019 was RMB43,000,000 and RMB43,000,000, respectively.

## **INFORMATION ON THE COMPANY AND TIANYE HOLDINGS**

The Company is principally engaged in the development, processing, production and sales of agricultural plastic water saving devices and plastic pipes as well as the construction and installation of water saving irrigation.

Tianye Holdings is mainly engaged in the manufacturing and sales of chlor-alkali; 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 and plastic products; 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.

## **FINANCIAL EFFECT OF THE DISPOSAL AND THE USE OF PROCEEDS**

Upon the Disposal, based on the difference between the consideration received for the Disposal and the net book value of the equity interest sold, it is expected that the Company will generate gains from equity transfer of approximately RMB28,500. The Disposal has no significant impact on the Company's assets and liabilities.

The net proceeds are intended to be used as general working capital of the Group.

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

Since Tianye Ecological Technology does not have substantive operations, the Disposal can lower the operating costs and financial management fees for the Group.

In light of the above, the Board (including the independent non-executive Directors) are of the view that the terms of the Equity transfer agreement are fair and reasonable and the Equity Transfer Agreement is entered into on normal commercial terms and in the interests of the Company and the Shareholders as a whole. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, no Director has any significant interest in the equity transfer agreement and the transactions

contemplated thereunder, hence no Director is required to abstain from voting on the resolution of the Board to approve the Equity Transfer Agreement and the transactions contemplated thereunder.

## **IMPLICATIONS UNDER THE LISTING RULES**

Tianye Holdings is the controlling shareholder of the Company and holds approximately 60.42% of the issued share capital of the Company in aggregate. Tianye Holdings is a connected person of the Company. Therefore, the Disposal under the Equity Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio (as defined in the Listing Rules) of the Disposal under the Equity Transfer Agreement is more than 0.1% but less than 5% and the consideration for the Disposal exceeds HK\$3,000,000, the Disposal under the Equity Transfer Agreement is subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as follows:

“Board”	the board of directors of the Company
“Benchmark Date of Equity Transfer”	31 December 2019
“Company”	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 company established in the PRC with limited liability under the Company Law on 18 December 2003, whose H Shares are listed and traded on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	The Company sold the Sale Equity of Tianye Ecological Technology to Tianye Holdings in accordance with the Equity Transfer Agreement
“Equity Transfer Agreement”	The Equity Transfer Agreement entered into by the Company and Tianye Holdings on 22 June 2020, in relation to the Disposal
“Group”	the Company and its subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Tianye Holdings”	新疆天業(集團)有限公司 (Xinjiang Tianye (Group) Limited*), a company established in the PRC with limited liability on 28 June 1996 and wholly owned by 第八師國有資產監督管理委員會 (No. 8 Division of the State-owned Assets Supervision and Administration Commission*). As at the date of this announcement, it owns approximately 60.42% of the issued share capital of the Company in aggregate
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity”	11.63% equity of Tianye Ecological Technology
“Shareholders”	Shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianye Ecological Technology”	新疆天業生態科技有限公司 (Xinjiang Tianye Ecological Technology Company Limited*), a company established in the PRC with limited liability. As at the date of this announcement, 11.63% and 88.37% equity interests of which are held by the Company and Tianye Holdings, respectively
“%”	per cent

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

Xinjiang, the PRC, 22 June 2020

*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 purpose only