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新疆天业节水灌溉股份有限公司
XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

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

(Stock Code: 840)

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF JOINT VENTURE**

On 1 December 2020, the Company and Fuxin Ecological Environment entered into the Investment Agreement, pursuant to which the Parties have agreed to establish the Joint Venture for the collaboration on the Project.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the establishment of the Joint Venture exceeds 5% but is less than 25%, the entering into of the Investment Agreement and the establishment of the Joint Venture constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the announcement requirements under the Listing Rules but exempt from the circular and the shareholders' approval requirements.

INTRODUCTION

On 1 December 2020, the Company and Fuxin Ecological Environment entered into the Investment Agreement, pursuant to which the Parties have agreed to establish the Joint Venture for the collaboration on the Project. The principal terms of the Investment Agreement are set out below.

INVESTMENT AGREEMENT

Date: 1 December 2020

Parties: (i) the Company; and
(ii) Fuxin Ecological Environment.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Fuxin Ecological Environment and its ultimate beneficial owner, namely the State-owned Assets Supervision and Administration Commission of the People's Government of Fuxin City, are Independent Third Parties.

CAPITAL CONTRIBUTION

The registered capital of the Joint Venture will be RMB50,000,000. Capital contribution will be made by each of the shareholders in cash, and the subscribed capital contribution will be settled by installments by 31 December 2040 as follows:

Parties	Capital contribution (RMB)	Percentage of equity interest in the Joint Venture
The Company	25,500,000	51%
Fuxin Ecological Environment	24,500,000	49%

The Joint Venture will become a direct non-wholly-owned subsidiary of the Company, and its financial results will be accounted for and consolidated in the accounts of the Group.

Upon the signing of the Investment Agreement, the procedure for the establishment of the Joint Venture can be carried out. In order to ensure a smooth progression for the preliminary works of the Joint Venture, the first installment of the capital contribution of RMB15,000,000 will be paid up by the shareholders based on their capital contribution ratios.

Subject to the subsequent working capital requirement of the Joint Venture, the board of the Joint Venture will propose the shareholders to jointly settle their subscribed capital contribution by installments according to their capital contribution ratios. Each of the shareholders' installments for the subscribed capital contribution should be settled within 15 days from the date of the proposed resolution of the board of the Joint Venture according to their capital contribution ratios. In case of any failure in timely capital

contribution, the non-defaulting party is entitled to the shareholders' interests in proportion to its actual subscribed capital contribution. During the period, the defaulting party is still subject to the obligation for fulfillment of the original capital contribution ratio. In case of any overdue of subscribed capital contribution for three months, the non-defaulting party has the right to adjust the shareholding ratio of each Shareholder, and amend the related provisions in the articles of association of the Joint Venture.

The amount of capital contribution to be made by the Parties was arrived at after arm's length negotiations between the Parties having taken into account of the expected operational requirements of the Joint Venture for the current stage. It is contemplated that the capital contribution payable by the Company will be funded by internal resources of the Group. If such financing is insufficient for the Joint Venture's operational requirements, the shortfall of the capital will be made up by ways of, including but not limited to, capital increase by the shareholders in accordance with their capital contribution ratios in the Joint Venture, application for bank loans and application for project supporting funds. If guarantee is required for the Joint Venture's financing, the Parties shall provide guarantees in accordance with their capital contribution ratios.

THE OPERATIONAL MANAGEMENT MODEL AND PROFIT DISTRIBUTION OF THE JOINT VENTURE

The Joint Venture is positioned to create an operational management model with research and development, production, marketing, construction, operation and service abilities to lead the growth of the water saving industry. It is a self-operating, independent accounting and self-financing company under the related requirements of the Company Law. The profits gained during the operational periods will be distributed at the meeting of the shareholders of the Joint Venture according to the Company Law and the requirements under the articles of association of the Joint Venture. Under the same circumstances, the Joint Venture will give priority to the purchase of the self-produced products and services of the Company and Fuxin Ecological Environment at market prices.

PURPOSE OF THE JOINT VENTURE

According to the overall development goal of "increasing agricultural productivity and rural income through vigorous promotion of high-efficiency and water-saving agriculture, as well as optimization and adjustment of the plantation structure" proposed by Fuxin Municipal People's Government, the Joint Venture will integrate high-yield crop cultivation, standardized project configuration and construction, automatic control, and informatization management by applying and combining the latest innovations in the agricultural water-saving sector in the PRC. To complete the construction of the Project within three years from 2021 to 2023, the Company, as the leading player in the agricultural water-saving industry, is appointed to develop a modern agricultural management and services system featuring "one center,

demonstration fields and one-stop service”, which will facilitate the IT development and management of the Project, transforming the Project into a core national demonstration zone for the integrated modern efficient water-saving agriculture in Liaoning Province. Furthermore, the Project will be transformed into a national demonstration base for efficient water-saving and irrigation, which features high level of IT application, high water utilization rate, high yield and efficiency, high-level standardization, and high-level operation and management in the agricultural water conservation. With these transformations, Fuxin will enhance the competitiveness of its agricultural industry and promote the environmental-friendly development of the agricultural industry and the revitalization of rural areas.

COMPOSITION OF THE BOARD AND THE SUPERVISORY COMMITTEE OF THE JOINT VENTURE

The board of the Joint Venture will comprise five directors, of which three will be recommended by the Company, and two will be recommended by Fuxin Ecological Environment. The chairman of the board of the Joint Venture will be recommended by the Company and shall stand for election by the Board.

The supervisory committee of the Joint Venture will comprise three supervisors, of which two will be recommended by the Company, and one will be recommended by Fuxin Ecological Environment. The chairman of the supervisory committee of the Joint Venture will be recommended by the Company.

CAPITAL ALTERATION AND EQUITY TRANSFER OF THE JOINT VENTURE

To expand the scale of production and operation, enhance the capital strength and safeguard the funding demand for the Project, the Joint Venture can change its registered capital by issuing additional shares to raise capital or injecting capital by other means, subject to the approval of the shareholders of the Joint Venture by resolutions.

Subject to the agreement of the shareholders, the shareholders can mutually transfer their entire or a portion of equity among themselves. If a shareholder transfer its equity to parties other than the other shareholder, it shall be subject to the agreement of the other shareholder. A shareholder shall seek approval from the other shareholder in writings for the equity transfer. Upon receipt of the written notice and up to the expiry of 30 days in which no response has been made, the other shareholder will be deemed to have agreed to the transfer.

If the other shareholder does not consent to the transfer, the non-consenting shareholder shall acquire the equity of such transfer. The shareholder who does not make the acquisition shall be deemed to have agreed to the transfer.

For the equity agreed to be transferred by a shareholder, the other shareholder shall have the pre-emptive rights under the same conditions offered by parties other than the shareholders.

REASONS AND BENEFITS OF ESTABLISHING THE JOINT VENTURE

The Directors consider that establishing the Joint Venture and developing the Project can further advocate the Group's advanced operation philosophy, technical experience and management model, and become the leader in operating and managing the reformation and construction projects of efficient water-saving for the fields in large and medium irrigation areas. This will be leading another revolution for both the construction project of efficient water saving and irrigation in Fuxin and the efficient water saving agriculture of the PRC.

The Directors consider that the terms of the Investment Agreement are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE PARTIES

The Company

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

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale 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 strategically developing digital agriculture and agriculture service business.

Fuxin Ecological Environment

Fuxin Ecological Environment is mainly engaged in investment, building, design, construction, operation, management and service of the ecological environment; investment, management and development of new energy in urban infrastructure construction; land consolidation and reserve; compilation of land space, land use, urban system, mineral resources and urban overall planning; compilation of land resources and mineral resources planning; investigation, evaluation and testing of natural resources and geology; geological environment assessment and treatment; geographical survey and monitoring of database construction; mine park construction and management; coal washing and preparation; sales of coal and products; development and utilization of groundwater resources; exploration, mining, processing and sales of mineral resources; and sales and production of downstream products.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the establishment of the Joint Venture exceeds 5% but is less than 25%, the entering into of the Investment Agreement and the establishment of the Joint Venture constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the announcement requirement under the Listing Rules but exempt from the circular and the shareholders' approval requirements.

DEFINITIONS

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

“Board”	the board of directors of the Company;
“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 on 18 December 2003, whose H Shares are listed and traded on the Main Board of the Stock Exchange;
“Company Law”	the Company Law of the PRC, promulgated by the 8th Standing Committee of the National People's Congress of the PRC on 29 December 1993 and effective on 1 July 1994, as amended, supplement or otherwise revised from time to time;
“Directors”	the directors of the Company;
“Fuxin”	Fuxin, Liaoning Province, the PRC;
“Fuxin Ecological Environment”	Fuxin Ecological Environment Construction Investment (Group) Co., Ltd.* (阜新市生態環境建設投資(集團)有限公司), a wholly state-owned company with limited liability established in the PRC;
“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 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;

“Investment Agreement”	the investment agreement dated 1 December 2020 entered into between the Company and Fuxin Ecological Environment in relation to the establishment of the Joint Venture;
“Joint Venture”	a company to be established in the PRC with the proposed name of Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd. (遼寧天阜生態農業發展集團有限公司) (subject to the final approval of the relevant government authorities);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Parties”	parties to the Investment Agreement, being the Company and Fuxin Ecological Environment, and “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;
“Project”	the Agricultural Water-saving, Quality Improvement, and Efficiency Enhancement Project (農業節水提質增效項目) with an area of 1 million mu in Fuxin;
“RMB”	Renminbi, the lawful currency of the PRC;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“%”	per cent

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

Hong Kong, 1 December 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