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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)

(1) CONNECTED TRANSACTION

**ACQUISITION OF THE REMAINING 40% EQUITY INTERESTS IN
A NON-WHOLLY-OWNED SUBSIDIARY**

AND

(2) VOLUNTARY ANNOUNCEMENT

ACQUISITION OF 100% EQUITY INTERESTS IN A COMPANY

**(1) CONNECTED TRANSACTION — EQUITY TRANSFER AGREEMENT 1 ON
THE ACQUISITION OF THE REMAINING 40% EQUITY INTERESTS IN A
NON-WHOLLY-OWNED SUBSIDIARY**

On 25 July 2018, the Company and Shihezi Xiayede entered into Equity Transfer Agreement 1, pursuant to which, the Company has agreed to acquire and Shihezi Xiayede has agreed to sell Sales Equity 1.

As at the date of this announcement, Tiancheng Water Saving is a non-wholly-owned subsidiary of the Company, which is held as to 60% by the Company and 40% by Shihezi Xiayede. Upon the completion of Acquisition 1, the Company will hold 100% interests in Tiancheng Water Saving, and Tiancheng Water Saving will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shihezi Xiayede holds 40% equity interests in Tiancheng Water Saving and is therefore its substantial shareholder. Pursuant to Rule 14A.07(1) of the Listing Rules, Shihezi Xiayede is a connected person at the subsidiary level. As such, pursuant to Chapter 14A of the Listing Rules, Acquisition 1 constitutes a connected transaction of the Company. Pursuant to Rule 14A.101 of the Listing Rules, given (1) Shihezi Xiayede is a connected person at the subsidiary level; (2) the Board has approved Acquisition 1; and (3) the independent non-executive Directors have confirmed that the terms of Acquisition 1 are fair and reasonable, and that Acquisition 1 is entered on normal commercial terms or better terms and is in the interests of the Company and its shareholders as a whole, Acquisition 1 is subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) VOLUNTARY ANNOUNCEMENT — ACQUISITION OF 100% EQUITY INTERESTS IN A COMPANY

On 25 July 2018, the Company and Shihezi Xiying entered into Equity Transfer Agreement 2, pursuant to which, the Company has agreed to acquire and Shihezi Xiying has agreed to sell Sales Equity 2.

As at the date of this announcement, the Company does not hold any interests in Shihezi Welfare Plant, while Shihezi Xiying holds 100% interests in Shihezi Welfare Plant. Upon the completion of Acquisition 2, the Company will hold 100% interests in Shihezi Welfare Plant, and Shihezi Welfare Plant will become a wholly-owned subsidiary of the Company.

The disclosure of Acquisition 2 is made by the Company on a voluntary basis to update the public on the latest development of the Company's business.

All of the applicable percentage ratios of Acquisition 2 do not exceed the relevant percentage ratios of 5% as set out in Rule 14.07 of the Listing Rules. As such, the entering of Equity Transfer Agreement 2 does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

(1) CONNECTED TRANSACTION — ACQUISITION OF THE REMAINING 40% EQUITY INTERESTS IN A NON-WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

As at the date of this announcement, Tiancheng Water Saving is a non-wholly-owned subsidiary of the Company, which is held as to 60% by the Company and 40% by Shihezi Xiayede. On 25 July 2018, the Company and Shihezi Xiayede entered into Equity Transfer Agreement 1, pursuant to which, the Company has agreed to acquire and Shihezi Xiayede has agreed to sell Sales Equity 1. Upon the completion of Acquisition 1, the Company will hold 100% interests in Tiancheng Water Saving, and Tiancheng Water Saving will become a wholly-owned subsidiary of the Company.

EQUITY TRANSFER AGREEMENT 1

Date

25 July 2018

Parties

- (i) Shihezhi Xiayede (as the vendor); and
- (ii) the Company (as the purchaser)

Nature of Transaction

Pursuant to Equity Transfer Agreement 1, the Company has agreed to acquire and Shihezi Xiayede has agreed to sell Sales Equity 1.

CONSIDERATION, VALUATION OF SALES EQUITY 1 AND CONCLUSION OF TRANSACTION

The Consideration for Acquisition 1 is RMB392,680, which is determined by the parties upon arm's length negotiations and with reference to (i) the relevant portion of the valuation of all shareholders' interests in Tiancheng Water Saving as appraised by an independent third-party valuation firm on the Benchmark Date (i.e. 31 May 2018) with asset-based approach of RMB981,700.

The Consideration shall be satisfied by the Company with internal funds within 30 working days upon the approval of Equity Transfer Agreement 1 by the PRC regulatory authorities.

The completion of Acquisition 1 is subject to the approval of Equity Transfer Agreement 1 by the PRC regulatory authorities and relevant filings. Upon the completion of Acquisition 1, Tiancheng Water Saving will be wholly-owned by the Company and will become a wholly-owned subsidiary of the Company.

REASONS AND BENEFITS OF ACQUISITION 1

Pursuant to its operation and development needs, the Company follows the deployment and requirements on further reform on state-owned capital and enterprises promulgated by the Corps Party Committee, and conducts Acquisition 1 in line with the reform on state-owned enterprises by the Eighth Division (八師團場).

Through the construction of three major obsolete drip belts recycling and granulation processing bases, Tiancheng Water Saving is capable of effectively fostering the structural reform on the supply side. Tiancheng Water Saving adopts market-oriented approaches to consolidate the granulation resources for drip belts, while reduces intermediate processes via the production and processing of drip belts to lower costs and enhance profit. These coupled with the negotiation on co-operation models among parties enhance the benefits of various parties in the agriculture sector and enterprises.

The Directors (including the independent non-executive Directors) consider that the Consideration and the terms of Equity Transfer Agreement 1 are fair and reasonable, and Acquisition 1 is entered on normal commercial terms or better terms and is in the interests of the Company and its shareholders as a whole. None of the Directors is materially interested in the transaction contemplated under Equity Transfer Agreement 1 or shall abstain from voting on the resolutions of the Board for considering and approving the same pursuant to the articles of association of the Company.

INFORMATION ON TIANCHENG WATER SAVING

Tiancheng Water Saving is a company established by the Company under the law of the People's Republic of China on 6 March 2009 with limited liability with an operation period of 20 years. The then registered capital of Tiancheng Water Saving was RMB15,000,000, and it is owned as to 60% and 40% by the Company and Shihezi Xiayede, respectively.

In August 2013, the Company and Shihezi Xiayede increased their respective capital contribution to Tiancheng Water Saving on pro-rata basis, and the registered capital of Tiancheng Water Saving increased from RMB15,000,000 to RMB17,100,000.

As at the date of this announcement, Tiancheng Water Saving is a non-wholly-owned subsidiary of the Company and is held as to 60% by the Company and 40% by Shihezi Xiayede. As a company established under the law of the PRC with limited liability, Tiancheng Water Saving is principally engaged in the development and promotion of high and new technologies on water saving irrigation as well as the technological transfer and services for water saving irrigation.

The financial information of Tiancheng Water Saving for the years ended 31 December 2016 and 2017 (audited) and for the five months ended 31 May 2018 (unaudited) is set out in the table below:

	For the year ended 31 December 2016 (audited) (RMB ten thousands)	For the year ended 31 December 2017 (audited) (RMB ten thousands)	For the five months ended 31 May 2018 (unaudited) (RMB ten thousands)
Net profit/loss before tax	-1,217.31	-213.77	-27.74
Net profit/loss after tax	-1,218.84	-213.77	-27.74
Total asset value	3,702.22	2,942.78	2,074.46
Asset value	703.88	490.11	98.17

INFORMATION ON THE PARTIES

Company

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.

Shihezi Xiayede

Shihezi Xiayede is principally engaged in the investment, management and services on agriculture, forestry, property, industry, construction and transportation sectors, as well as the leasing, sale and income generation from income-bearing properties.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shihezi Xiayede holds 40% equity interests in Tiancheng Water Saving and is therefore its substantial shareholder. Pursuant to Rule 14A.07(1) of the Listing Rules, Shihezi Xiayede is a connected person at the subsidiary level. As such, pursuant to Chapter 14A of the Listing Rules, Acquisition 1 constitutes a connected transaction of the Company. Pursuant to Rule 14A.101 of the Listing Rules, given (1) Shihezi Xiayede is a connected person at the subsidiary level; (2) the Board has approved Acquisition 1; and (3) the independent non-executive Directors have confirmed that the terms of Acquisition 1 are fair and reasonable, and that Acquisition 1 is entered on normal commercial terms or better terms and is in the interests of the Company and its shareholders as a whole, Acquisition 1 is subject to the reporting and announcement requirements, but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(2) VOLUNTARY ANNOUNCEMENT — ACQUISITION OF 100% EQUITY INTERESTS IN A COMPANY

INTRODUCTION

On 25 July 2018, the Company and Shihezi Xiyong entered into Equity Transfer Agreement 2, pursuant to which, the Company has agreed to acquire and Shihezi Xiyong has agreed to sell Sales Equity 2 for RMB6,970,200.

As at the date of this announcement, the Company does not hold any interests in Shihezi Welfare Plant, while Shihezi Xiyong holds 100% interests in Shihezi Welfare Plant. Upon the completion of Acquisition 2, the Company will hold 100% interests in Shihezi Welfare Plant, and Shihezi Welfare Plant will become a wholly-owned subsidiary of the Company.

EQUITY TRANSFER AGREEMENT 2

Date

25 July 2018

Parties

- (i) Shihezi Xiyong (as the vendor); and
- (ii) the Company (as the purchaser)

To the best of the knowledge, information and belief of the Directors after making all reasonable enquiries, Shihezi Xiyong and its ultimate beneficial owner(s) are independent third parties of the Company and its connected persons.

Nature of Transaction

Pursuant to Equity Transfer Agreement 2, the Company has agreed to acquire and Shihezi Xiying has agreed to sell Sales Equity 2 for RMB6,970,200.

LISTING RULES IMPLICATIONS

The disclosure of Acquisition 2 is made by the Company on a voluntary basis to update the public on the latest development of the Company's business.

All of the applicable percentage ratios of Acquisition 2 do not exceed the relevant percentage ratios of 5% as set out in Rule 14.07 of the Listing Rules. As such, the entering of Equity Transfer Agreement 2 does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition 1”	the acquisition of 40% equity interests in Tiancheng Water Saving by the Company from Shihezi Xiayede pursuant to Equity Transfer Agreement 1
“Acquisition 2”	the acquisition of 100% equity interests in Shihezi Welfare Plant by the Company from Shihezi Xiying pursuant to Equity Transfer Agreement 2
“Benchmark Date”	31 May 2018
“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 under the Company Law on 18 December 2003, or its precedents, whose H Shares are listed and traded on the Main Board of the Stock Exchange
“Consideration”	the consideration of RMB392,680 for the acquisition of Sales Equity 1 by the Company from Shihezi Xiayede
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Equity Transfer Agreement 1”	the equity transfer agreement 1 entered between the Company and Shihezi Xiayede on 25 July 2018 for the sale and purchase of 40% equity interests in Tiancheng Water Saving
“Equity Transfer Agreement 2”	the equity transfer agreement 2 entered between the Company and Shihezi Xiying on 25 July 2018 for the sale and purchase of 100% equity interests in Shihezi Welfare Plant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sales Equity 1”	40% equity interests in Tiancheng Water Saving held by Shihezi Xiayede as at the date of this announcement and to be acquired by the Company pursuant to Equity Transfer Agreement 1
“Sales Equity 2”	100% equity interests in Shihezi Welfare Plant held by Shihezi Xiying as at the date of this announcement and to be acquired by the Company pursuant to Equity Transfer Agreement 2
“Shihezi Welfare Plant”	石河子一四八團福利綜合廠 (Shihezi Yisiba Group Welfare Comprehensive Plant*), a private owned enterprise established in the PRC, which is owned as to 100% by Shihezi Xiying as at the date of this announcement with a registered capital of RMB5,080,000
“Shihezi Xiayede”	石河子下野地農場投資有限責任公司 (Shihezi Xiayede Agricultural Investment Co., Ltd*), a company established in the PRC with limited liability
“Shihezi Xiying”	石河子西營農場 (Shihezi Xiying Farm*), a private owned enterprise established in the PRC, an independent third party of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tiancheng Water Saving”	石河子市天誠節水器材有限公司 (Shihezi Tiancheng Water Saving Device Co., Ltd*), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company, which is owned as to 60% by the Company and 40% by Shihezi Xiayede as at the date of this announcement with a registered capital of RMB17,100,000
“Valuation Report”	the valuation report prepared by Tongzhixinde (Beijing) Co., Ltd., an independent third party, on Tiancheng Water Saving with asset-based approach dated 4 July 2018
“%”	per cent.

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

Hong Kong, 25 July, 2018

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Chen Lin (Chairman), Mr. Zhang Qiang, Mr. Li He and Mr. Yang Wan Sen, and three independent non-executive Directors, namely Mr. Yin Feihu, Mr. Qin Ming and Mr. Mak King Sau.

* *For identification purposes only*