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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)

MAJOR TRANSACTION
ACQUISITION OF THE ENTIRE EQUITY INTEREST OF
TARGET COMPANY

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 11 June 2019 (after trading hours of the Stock Exchange), the Company (as the purchaser) and Modern Agriculture (as the vendor) entered into the Equity Transfer Agreement in relation to the Acquisition, pursuant to which, Modern Agriculture agreed to sell and the Company agreed to acquire the Target Equity at a consideration of RMB28.6868 million.

As at the date of this announcement, Modern Agriculture was interested in the 100% equity interest of the Target Company. Following completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

IMPLICATIONS OF THE LISTING RULES

As one or more percentage ratios of the Acquisition exceeds 25% but are less than 100%, the Acquisition 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.

* *For identification purpose only*

As no Director is materially interested in the Acquisition, no Director is required to abstain from voting on the resolution of the Board with respect to approval of the Acquisition. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is considered to have material interest in the Acquisition. The Acquisition shall be passed by special resolution at the EGM as the consideration of the Acquisition is over 30% of total assets of the Company in accordance with the provision of the Articles of Association.

A circular containing, among other things, further details of the Acquisition, notice of convening the EGM and other information required according to the Listing Rules will be dispatched to the Shareholders on or before 3 July 2019.

INTRODUCTION

The Board is pleased to announce that on 11 June 2019 (after trading hours of the Stock Exchange), the Company (as the purchaser) and Modern Agriculture (as the vendor) entered into the Equity Transfer Agreement in relation to the Acquisition, pursuant to which, Modern Agriculture agreed to sell and the Company agreed to acquire the Target Equity at a consideration of RMB28.6868 million.

As at the date of this announcement, Modern Agriculture was interested in the 100% equity interest of the Target Company. Following the completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated to the Group's financial results.

Set forth below is a summary of the salient terms under the Equity Transfer Agreement:

EQUITY TRANSFER AGREEMENT

Date: 11 June 2019 (after trading hours of the Stock Exchange)

Parties: (1) Purchaser: the Company
(2) Vendor: Modern Agriculture

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Modern Agriculture and its ultimate beneficial owner(s) are Independent Third Parties.

CONDITIONS PRECEDENT AND COMPLETION

Pursuant to the terms and conditions of the Equity Transfer Agreement, the conditions precedents to the completion of the Acquisition are set out below:

- (i) the Company shall obtain Shareholder's approval of the Acquisition at the EGM; and
- (ii) the Company shall comply with the relevant requirements under the Listing Rules of the Stock Exchange in respect of the Acquisition.

The Equity Transfer Agreement will take effect upon the date of passing a special resolution at the EGM by the Shareholders. If the aforesaid conditions are not fulfilled, the Equity Transfer Agreement and the Acquisition will be terminated accordingly.

Within five working days upon satisfaction of all conditions precedent to the Acquisition, Modern Agriculture shall transfer the Target Equity as held by it to the Company, and shall assist the Company in completing the relevant filing procedures, including but not limited to the filing and registration at the industry and commercial administration and taxation authorities.

Modern Agriculture shall unconditionally assist the Company in completing the relevant filing and registration procedures in respect of the Acquisition, and produce the relevant documents as requested for the purposes of completing such filing and registration procedures.

CONSIDERATION AND PAYMENT TERMS

The consideration of the Acquisition is determined between the Company and Modern Agriculture on an arm's length basis and with reference to the valuation of the Target Equity.

The consideration payable by the Company in respect of the Acquisition shall be RMB28.6868 million, which will be made by two instalments. Within fifteen days from the effective date of the Equity Transfer Agreement, the Company shall (i) pay 20% of the consideration for the equity transfer, being RMB5.73736 million; and (ii) settle the remaining balance of RMB22.94944 million before 31 December 2019 following the completion of the Acquisition.

In accordance with the asset valuation report as prepared by Tongzhi Xinde (Beijing) Asset Valuation Co., Ltd. (同致信德(北京)資產評估有限公司) on the entire equity interest attributable to the shareholders based on special audit of CAC CPA Limited (中審華會計師事務所) over the assets of the Target Company on 31 December 2018, the entire equity interest attributable to the shareholders of the Target Company is valued at RMB23.5873 million.

The consideration is based on the asset valuation over the entire equity interest of the Target Company amounting to RMB23.5873 million and has taken into account of (i) accounts receivable of RMB13.30315 million; (ii) deferred income tax assets of RMB3.3258 million; and (iii) intangible assets of RMB4.8779 million attributable to the Target Company on the Valuation Date.

During the transition period from the Valuation Date and completion date of the Acquisition, profit or loss incurred by the Target Company shall be borne by Modern Agriculture.

Prior to the Valuation Date, upon occurrence of contingent matters and/or potential disputes that exists at the Target Company but are not disclosed by Modern Agriculture to the Company, the Company shall be entitled to seek compensation from Modern Agriculture if the Company suffers economic losses arising therefrom, and Modern Agriculture shall compensate the Company for such economic losses.

The Directors consider that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and agreed on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole. The Company intends to pay the consideration of the Acquisition by external financing or fundraising.

FINANCIAL INFORMATION ABOUT TARGET COMPANY

The Target Company is established in the PRC with limited liability, and principally engaged in wholesales of pesticide products; manufacture and sales of water soluble fertilizers and compound fertilizers; sales of fertilizers, agricultural plastic mulches, agricultural water-saving irrigation equipment, agricultural by-products, ginned cotton, cotton linters, construction materials, feeders, chemical products, steel products, and fruit products; property leasing; loading, unloading, and transportation; warehousing; forwarding agency of fertilizers (including compound fertilizers, water soluble fertilizers,

and organic fertilizers), aluminum products, corns, cottonseeds, cottonseed cakes, cottonseed hulls, cotton yarns, tomatoes, and grains; import and export of cargos or technologies. Its registered capital amounts to RMB12 million.

The audited net assets and total assets of the Target Company as at 31 December 2018 amount to approximately RMB8,175,532.54 and RMB306,788,390.79, respectively.

Set forth below is the audited net profit (loss) before and after taxes for the year ended 31 December 2017 and 2018 respectively:

	For the year ended 31 December	
	2017	2018
	<i>RMB</i>	<i>RMB</i>
Net profit/loss (before taxes)	-2,641,155.17	-16,996,216.16
Net profit/loss (after taxes)	-6,252,666.26	-14,135,701.05

Upon completion, the Target Company will become a wholly-owned subsidiary of the Company, and the financial results of the Target Company shall be consolidated to the financial results of the Group.

REASONS AND BENEFITS OF THE ACQUISITION

The Target Company currently enjoys access to the only railway route specialized for agricultural materials among the corps-owned logistics operators for agricultural materials, and its warehousing facilities are in close proximity with China National Highway 312, gaining immediate access to such roads and railway network that provides expeditious and convenient shipment and transportation, warehousing, and distribution. Its warehousing facility is comprised of 10 warehouses with a site area of approximately 50,000 square meters, among which, the indoor warehousing area amounts to approximately 12,000 square meters, and the outdoor warehousing area amounts to approximately 17,000 square meters. In 2014, a new production line with an annual output capacity of 100,000 tons of drip irrigation fertilizers was constructed, which aims to meet the demands of corps-owned business units under No. 8 Division and agricultural households in Shawan and Manas Counties in the neighborhood. In 2018, the corps-owned business units under No. 8 Division established a number of branches, thereby completing a sales network connecting to the entire No. 8 Division.

In consideration of the aforesaid matters, the Directors consider that the terms and conditions of the Equity Transfer Agreement are entered into on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PURCHASER AND THE VENDOR

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.

As part of the industry chain under Farm 8 Shihezi Agriculture Project, Modern Agriculture represents a city leading enterprise to improve the living standard of employees throughout business units of the No. 8 Division, and helps to develop a sound marketization mechanism of agricultural resources, which will enhance the operating efficiency of state-owned capitals, increase the return on state-owned capital, and improve the risk capacity of agricultural production. To address the “three rural issues”, Modern Agriculture has been striving to build the agriculture investment company into a multipurpose vehicle to cover investments and financing for agricultural industrialization, project development of agricultural industry, foreign agricultural partnership, integration of agricultural resources, and equity investments in agricultural businesses.

IMPLICATIONS OF THE LISTING RULES

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As no Director is materially interested in the Acquisition, no Director is required to abstain from voting on the resolution of the Board with respect to approval of the Acquisition. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, no Shareholder is considered to have material interest in the Acquisition.

The Acquisition shall be passed by special resolution at the EGM as the consideration of the Acquisition is over 30% of total assets of the Company in accordance with the provision of the Articles of Association.

A circular containing, among other things, further details of the Acquisition, notice of convening the EGM and other information required according to the Listing Rules will be dispatched to the Shareholders on or before 3 July 2019.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity by the Company from Modern Agriculture pursuant to the terms and conditions of the Equity Transfer Agreement
“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 under the Company Law or its predecessor, whose H Shares are listed and traded on the Main Board of the Stock Exchange, being the purchaser of the Acquisition
“Directors”	the directors of the Company
“Domestic Shares”	domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB
“EGM”	An extraordinary general meeting held by the Company for the purposes of the Acquisition
“Equity Transfer Agreement”	the equity transfer agreement dated 11 June 2019 entered into between Modern Agriculture and the Company in relation to the Acquisition
“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\$

“Independent Third Party”	party(ies) independent of the Group and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Modern Agriculture”	Farm 8 Shihezi Modern Agriculture Investment Limited* (八師石河子現代農業投資有限公司), a company established in the PRC with limited liability, being the vendor of the acquisition
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	H Shares, the Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Xinjiang Western Agricultural Supplies Logistics Limited* (新疆西部農資物流有限公司), a company established in the PRC with limited liability
“Target Equity”	the entire equity interests of the Target Company
“Tianye Company”	新疆天業股份有限公司 (Xinjiang Tianye Company Limited*), a company established in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange. It owns approximately 38.91% of the registered capital of the Company as at the date of this announcement
“Tianye Holdings”	新疆天業(集團)有限公司 (Xinjiang Tianye (Group) Limited*), which was established in the PRC with limited liability on 28 June 1996, was wholly owned by SACC of No. 8 Division. It owns approximately 42.05% and 21.50% of the registered capital and issued share capital of Tianye Company and the Company respectively as at the date of this announcement

“Valuation Date” 31 December 2018

“%” per cent

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

Hong Kong, 11 June 2019

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.