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透云科技
Ty. Technology

China Touyun Tech Group Limited

中國透雲科技集團有限公司

(Incorporated in Bermuda with limited liability)

Website: www.chinatouyun.com.hk

(Stock Code: 1332)

DISCLOSEABLE TRANSACTIONS AND VOLUNTARY ANNOUNCEMENT — BUSINESS UPDATE

DISCLOSEABLE TRANSACTIONS

(A) Reference is made to the announcement of the Company dated 14 May 2020 in relation to the construction of fermentation and related facilities for the production of *chlamydomonas reinhardtii*, micro-algae and related products.

On 28 August 2020, the Subsidiary and the Contractor entered into the Fourth Agreement and the Fifth Agreement in relation to the construction of fermentation and related facilities for the production of *chlamydomonas reinhardtii*, micro-algae and related products.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Fourth Agreement and the Fifth Agreement, when aggregated with the First Agreement, the Second Agreement and the Third Agreement, exceeds 5% but is less than 25%, the entering into of the Fourth Agreement and the Fifth Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

(B) On 31 March 2020, the Subsidiary and Hebei Contractor entered into First Fermentation Tank Agreement, pursuant to which Hebei Contractor agreed to design, production and installation of 8 fermentation tanks for the production of chlamydomonas reinhardtii, micro-algae and related products at the consideration of RMB13,600,000 (equivalent to HK\$14,824,000). As the applicable percentage ratios (as defined under the Listing Rules) were below 5%, such transaction contemplated under the First Fermentation Tank Agreement did not constitute a notifiable transaction to the Company under Chapter 14 of the Listing Rules. On 28 August 2020, the Subsidiary and Hebei Contractor entered into Second Fermentation Tank Agreement, pursuant to which Hebei Contractor agreed to design, production and installation of 23 dialysate tanks, homogenizing buffer tanks and other related tanks for the production of chlamydomonas reinhardtii, micro-algae and related products. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Second Fermentation Tank Agreement, when aggregated with the First Fermentation Tank Agreement, exceeds 5% but is less than 25%, the entering into the Second Fermentation Tank Agreement constitutes a disclosable transaction of the Company under the Listing Rule and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BUSINESS UPDATE

This is a voluntary announcement made by the Group in relation to the latest business development of chlamydomonas reinhardtii, micro-algae and related products of the Group. Details of these are set out in the section headed “Business Update” set out below.

(A) THE CONSTRUCTION OF THE FERMENTATION AND RELATED FACILITIES

On 28 August 2020, the Subsidiary and the Contractor entered into the Fourth Agreement and the Fifth Agreement in relation to the construction of fermentation and related facilities for the production of chlamydomonas reinhardtii, micro-algae and related products. The principal terms of each of the Fourth Agreement and the Fifth Agreement are set out below.

(1) The Fourth Agreement

- | | | |
|----------------|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Subject matter | : | The construction of a inventory warehouse with 972 square metre and a raw material warehouse with 972 square metre in connection with the production of chlamydomonas reinhardtii, micro-algae and related products at the Project Site. |
| Consideration | : | RMB2,916,000, on the basis of RMB1,500 per completed square metre. |

Payment terms and adjustment : The Subsidiary shall pay a prepayment of RMB1,800,000 within 7 days upon signing the Fourth Agreement. The remaining consideration (of which 3% of the consideration will be retained by the Subsidiary and shall be payable after expiry of the 2 year warranty period upon completion of the construction of the facility) shall be payable upon the completion of the facility.

The consideration will be subject to dollar- to-dollar upward or downward adjustment based on the actual cost of labour, raw materials and machinery, which will be determined by the relevant local authorities. The Company does not expect that there will be any significant fluctuations during the period of construction. Any upward adjustments will be subject to the prior consent of the Company and the Company will comply with the relevant Listing Rules requirements

Construction term : Commencing August 2020 and completing on or before October 2020

(2) The Fifth Agreement

Subject matter : The construction of a two storey building as fermentation facilities (dehydrating zone) in connection with the production of chlamydomonas reinhardtii, micro-algae and related products of site area 5,400 square metre at the Project Site.

Consideration : RMB9,612,000, on the basis of RMB1,780 per completed square metre

Payment terms and adjustment: : The Subsidiary shall pay a prepayment of RMB6,000,000 within 7 days upon signing the Fifth Agreement. The remaining consideration (of which the 3% of the consideration will be retained by the Subsidiary and shall be payable after expiry of the 2 year warranty period upon completion of the construction of the facility) shall be payable upon the completion of the construction of facility.

The consideration will be subject to dollar-to-dollar upward or downward adjustment based on the actual cost of labour, raw materials and machinery, which will be determined by the relevant local authorities. The Company does not expect that there will be any significant fluctuations during the period of construction. Any upward adjustments will be subject to the prior consent of the Company and the Company will comply with the relevant Listing Rules requirements.

Construction term: Commencing August 2020 and completing on or before October 2020

(B) THE DESIGN, PRODUCTION AND INSTALLATION OF FERMENTATION TANKS

(1) The First Fermentation Tank Agreement

Subject matter : The design, production and installation of 8 fermentation tanks in connection with the production of *chlamydomonas reinhardtii*, micro-algae and related products at the Project Site.

Consideration : RMB13,600,000, on the basis of RMB1,700,000 per tank

Payment terms : The Subsidiary shall pay 30% of the consideration within 15 days upon signing the First Fermentation Tank Agreement. The 40% of the consideration shall be payable within 15 days upon the delivery of the fermentation tanks at the Project Site. The 25% of the consideration shall be payable within 15 days upon the installation of fermentation tanks with satisfactory test result. The remaining 5% of the consideration will be retained by the Subsidiary and shall be payable after expiry of the 18 months warranty period upon the delivery of the fermentation tanks or after expiry of the 12 months warranty period upon the installation of fermentation tanks with satisfactory test result, whichever is earlier.

Construction term : Within 80 days upon receiving the 30% of the consideration

(2) The Second Fermentation Tank Agreement

- Subject matter : The design and supply of 23 dialysate tanks, homogenizing buffer tanks and other related tanks in connection with the production of chlamydomonas reinhardtii, micro-algae and related products at the Project Site.
- Consideration : RMB1,883,100, on the basis of ranged from RMB23,300 to RMB134,200 per tank
- Payment terms : The Subsidiary shall pay 30% of the consideration within 10 days upon signing The Second Fermentation Tank Agreement. The 50% of the consideration shall be payable upon the delivery of the tanks at the Project Site. The 15% of the consideration shall be payable upon the installation of the tanks with satisfactory test result. The remaining 5% of the consideration will be retained by the Subsidiary and shall be payable after the expiry of the 18 months warranty period upon the delivery of the fermentation tanks or after the expiry of the 12 months warranty period upon the installation of fermentation tanks with satisfactory test result, whichever is earlier.
- Construction term : Within 90 days upon receiving the 30% of the consideration

INFORMATION OF THE PARTIES

(1) The Subsidiary and the Group

The Subsidiary is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It was established in March 2020 for the purpose of engaging in the chlamydomonas reinhardtii, micro-algae and related products business.

The principal activities of the Company and its subsidiaries are (i) provision of QR codes on product packaging and solutions and online advertising display services; (ii) the manufacture and sale of packaging products; (iii) investments and trading in securities and money lending; and (iv) production and sale of chlamydomonas reinhardtii products.

(2) The Contractor/Hebei Contractor

The Contractor is a state-owned enterprise established in the PRC and is principally engaged in the business of construction and engineering contracting.

The Hebei Contractor is a private entity established in the PRC and is principally engaged in the business of fermentation tanks contracting.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Contractor and Hebei Contractor and its ultimate beneficial owners is a third party independent of the Company and its connected persons.

REASONS FOR ENTERING INTO THE AGREEMENTS

Reference is made to the announcement of the Company dated 21 February 2020 in relation to the co-operation agreement entered into between the Company and the People's Government of Wucheng District, Changzhi City, Shanxi Province* (山西省長治市潞城區人民政府) (the "District Government").

Based on the co-operation agreement dated 21 February 2020, the District Government agreed to support the construction of the *chlamydomonas reinhardtii* and related products facilities by the provision of the relevant land use right for the construction of the facilities. As at the date of this announcement, the Company has submitted the relevant documents for the formal application of the land use right. On 9 April 2020, the Natural Resources Bureau of Wucheng District, Changzhi City* (長治市潞城區自然資源局) confirmed that the construction of manufacturing facilities for *chlamydomonas reinhardtii* at a site of approximately 12.44 hectares conform with the overall land use planning of the relevant area.

The construction of the fermentation and related facilities is the first step in the Group's diversification into *chlamydomonas reinhardtii*, micro-algae and related products business. It is expected that the Company will commence the production of *chlamydomonas reinhardtii*, micro-algae and related products in 2021. The Subsidiary currently has 12 employees including technicians and engineers who are experienced and specialise in fermentation process and production management of *chlamydomonas reinhardtii*, micro-algae; and administrative supporting staff.

Given the trend of health food in recent years, the Group considers the investment in *chlamydomonas reinhardtii* and micro-algae business is a good opportunity for the Group to diversify its income base.

The consideration under each of the Agreements was determined after arm's length negotiations between the parties with reference to the published cost of labour, raw material and machinery by the relevant authorities. It is expected that the total consideration will be settled by internal resources of the Group.

* For identification purposes only

The Board considers that the terms of the Agreements are on normal commercial terms and are fair and reasonable and that the transactions contemplated thereunder are in the interest of the Company and its shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

The Fourth Agreement and the Fifth Agreement

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Fourth Agreement and the Fifth Agreement, when aggregated with the First Agreement, the Second Agreement and the Third Agreement, exceeds 5% but is less than 25%, the entering into of the Fourth Agreement and the Fifth Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The First Fermentation Tank Agreement and The Second Fermentation Tank Agreement

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the Second Fermentation Tank Agreement, when aggregated with the First Fermentation Tank Agreement, exceeds 5% but is less than 25%, the entering into the Second Fermentation Tank Agreement constitutes a disclosable transaction of the Company under the Listing Rule and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BUSINESS UPDATE

Reference was made to the Company's announcement dated 21 February 2020, the Group plan to construct the manufacturing facilities for *chlamydomonas reinhardtii*, micro-algae and related products, with production scale of 10,000 tons/year in the first stage, in the Wucheng District, Changzhi City, Shanxi Province, PRC. The construction was officially launched on 23 April 2020. According to the latest development and as of 25 August 2020, eight 180,000-liter fermentation tanks of the first phase (with an annual output of 4,000 tons of *chlamydomonas reinhardtii*) of the first stage have been successfully installed and landed. The civil engineering works are expected to be completed by the end of 2020 and the system installation will be completed in the first quarter of 2021. Operation trial and production will be commenced in second quarter of 2021. Given the trend of health food in recent years, the Group considers the investment in *chlamydomonas reinhardtii* and micro-algae business is a good opportunity for the Group to diversify its income base.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Agreements”	the Fourth Agreement, the Fifth Agreement, the First Fermentation Tank Agreement and the Second Fermentation Tank Agreement
“Board”	the board of the Company
“Company”	China Touyun Tech Group Limited, a company with limited liability incorporated under the laws of the Bermuda whose shares are listed on the Stock Exchange (Stock Code: 1332)
“Contractor”	Shijiazhuang Yijian Construction Group Co., Ltd.* (石家莊一建建設集團有限公司)
“Director(s)”	the director(s) of the Company
“Fifth Agreement”	the agreement dated 28 August 2020 entered into between the Subsidiary and the Contractor in relation to the construction of a fermentation facilities (dehydrating zone)
“First Agreement”	the agreement dated 14 May 2020 entered into between the Subsidiary and the Contractor in relation to the construction of the general administration building
“First Fermentation Tank Agreement”	the agreement dated 31 March 2020 entered into between the Subsidiary and the Hebei Contractor in relation to the design, production and installation of fermentation tanks
“Fourth Agreement”	the agreement dated 28 August 2020 entered into between the Subsidiary and the Contractor in relation to the construction of a inventory warehouse and a raw material warehouse
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hebei Contractor”	Hebei Jineng Chemical Equipment Co., Ltd.* (河北冀能化工設備有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Project Site”	Wucheng Economic and Technological Development Zone, Changzhuang Village, Dianshang Town, Wucheng District, Changzhi City, Shanxi Province, PRC* (山西省長治市潞城區店上鎮常莊村潞城經濟技術開發區), with a total site area of approximately 12.44 hectares
“RMB”	Renminbi, the lawful currency of the PRC
“Second Agreement”	the agreement dated 14 May 2020 entered into between the Subsidiary and the Contractor in relation to the construction of the employees accommodation building
“Second Fermentation Tank Agreement”	the agreement dated 28 August 2020 entered into between the Subsidiary and the Hebei Contractor in relation to the design and supply of dialysate tanks, homogenizing buffer tanks and other related tanks
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	Shanxi Touyun Biotechnology Company Limited* (山西透雲生物科技有限公司)
“Third Agreement”	the agreement dated 14 May 2020 entered into between the Subsidiary and the Contractor in relation to the construction of the fermentation plant

By order of the Board
China Touyun Tech Group Limited
Wang Liang
Chairman

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprised the following Directors:

Executive Directors

Mr. Wang Liang (*Chairman*)
Mr. Du Dong
Mr. Lo Yuen Wa Peter

Non-executive Directors

Mr. Chen Hui
Ms. Tian Yuze

Independent non-executive Directors

Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

* *for identification purposes only*