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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 26 September 2016, the Company, XPCC Group and West High-tech entered into the Investment Agreement in relation to the establishment of the Joint Venture. Pursuant to the Investment Agreement, the Joint Venture will be engaged in the development of Regiment Project.

As one or more of the applicable percentage ratios exceeds 5% but is less than 25%, the establishment of the Joint Venture constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 26 September 2016, the Company, XPCC Group and West High-tech entered into the Investment Agreement in relation to the establishment of the Joint Venture. The principal terms of the Investment Agreement are set out below.

THE INVESTMENT AGREEMENT

Date: 26 September 2016

Parties: (i) the Company;
(ii) XPCC Group; and
(iii) West High-tech.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the respective ultimate beneficial owner(s) of XPCC Group and West High-tech are Independent Third Parties.

CAPITAL CONTRIBUTION

The registered capital of the Joint Venture will be RMB100,000,000. Capital contribution will be made by each of the Shareholders in cash, and the subscribed capital contribution will be settled by installments in 5 years in accordance with the subscribed capital contribution as follows:

Parties	Capital contribution (RMB)	Percentage of equity interest in the Joint Venture
The Company	59,000,000	59%
XPCC Group	38,000,000	38%
West High-tech	3,000,000	3%

The Joint Venture will be a direct non wholly-owned subsidiary of the Company.

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 will be RMB10,000,000 and subscribed by the Shareholders based on their capital contribution ratios.

After obtaining the Regiment Project, subject to the target amount and capital requirement for the Regiment Project, 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 according to their capital contribution ratios. In case of any failure in timely capital contribution, the non-defaulting parties are entitled to the Shareholders' interests in proportion to their actual subscribed capital contribution. During the period, the defaulting party is still subject to the obligation for fulfillment of the original capital contribution ratios. In case of any past due of subscribed capital contribution for three months, the non-defaulting parties have 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 to 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 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 according to the Company Law and the requirements under the articles of association of the Joint Venture.

PURPOSE OF THE JOINT VENTURE

By leveraging on the technical advantages of the Company and integrating with XPCC Group's superiorities in the survey, design and management in hydraulic and water saving irrigation systems, the Joint Venture will make full use of the research and development of the parent company of West High-tech, Xinjiang Academy of Agricultural And Reclamation Science in water-saving agricultural plantation and fertilizers designed for drip irrigation as well as its scientific research results in the aspects of effective utilization technology model of water and fertilizer for integrated produce and water-saving irrigation technology, so as to achieve a complementary strength and joined forces. By implementing the Regiment Project, the Joint Venture will further advocate an advanced operation philosophy, technical experience and management model, and become the leader in operating and managing the reformation and construction projects of effective water-saving for the fields in large and medium irrigation areas.

COMPOSITION OF THE BOARD OF THE JOINT VENTURE

The board of the Joint Venture will comprise five directors, three of them will be appointed by the Company, including one staff director candidate, and the remaining two directors will be appointed by the XPCC Group. The chairman of the Joint Venture will be the personnel 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 ensure the demand for project funding, the Shareholders of the Joint Venture will approve the resolution and the Joint Venture can issue additional shares to raise capital or use other means to inject funding.

Subject to the agreement of the Shareholders, the Shareholders can mutually transfer their entire or a portion of equity among themselves.

If the Shareholders transfer their equities to parties other than the other Shareholders, it shall be subject to the agreement of the other Shareholders. The Shareholders shall requisite agreement from the other Shareholders 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 Shareholders will be deemed to have agreed to the transfer. If the other Shareholders do not consent to the transfer, the non-consenting Shareholders shall acquire the equity of such transfer. Those do not make the acquisition shall be deemed to have agreed to the transfer.

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

If there are more than two Shareholders who propose to exercise the pre-emptive rights, they shall negotiate their respective ratio of acquisition. If the negotiation does not come up any conclusion, the pre-emptive rights shall be exercised according to their respective ratios of subscribed capital contribution.

REASONS AND BENEFITS OF ESTABLISHING THE JOINT VENTURE

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

XPCC Group

XPCC Group is mainly engaged in the agriculture and forestry, hydraulic, construction, consultation, environmental assessment, engineering exploration, measurement and drawing, supervision and management, main engineering contracting, water maintenance proposal preparation, engineering tender agency, water resources demonstration, travel planning, land exploration, hydrological water resources investigative assessment; utilities, highway, municipal (environmental hygiene, artificial scenery and landscape, bridges and tunnels and roads, thermal power, water supply and discharge), prevention of environment pollution, city planning, construction pricing consultation, geo crisis management exploration and construction business.

West High-tech

West High-tech is mainly engaged in businesses such as investments in agriculture and poultry raising industry, production and manufacturing industry, service industry, real estate industry and commercial field.

IMPLICATIONS OF THE LISTING RULES

As one or more of the applicable percentage ratios exceeds 5% but is less than 25%, the establishment of the Joint Venture constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the announcement requirement 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:

“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 Company Law, 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
“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(ies)”	party(ies) independent of the Group and the connected persons of the Company
“Investment Agreement”	the investment agreement dated 26 September 2016 entered into between the Company, XPCC Group and West High-tech in relation to the establishment of the Joint Venture
“Joint Venture”	a company established in the PRC and its name is proposed to be Zhongxin Modern Water Saving Technology Company Limited (中新農現代節水科技有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Investment Agreement, being the Company, XPCC Group and West High-tech, 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

“Regiment Project”	The Construction Project of Effective Water Saving Irrigation for 3 million Mu in South Xinjiang of the Regiment (兵團南疆300萬畝高效節水灌溉工程建設項目)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Joint Venture
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“West High-tech”	West Xinjiang High-tech Investment and Management Company Limited (新疆西部高科投資管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Xinjiang Academy of Agricultural and Reclamation Science
“XPCC Group”	XPCC Surveying & Designing Institute (Group) Co., Ltd., a company established in the PRC with limited liability
“%”	per cent

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

Xinjiang, the PRC, 26 September 2016

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*