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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)

**CONNECTED TRANSACTION
ESTABLISHMENT OF JOINT VENTURE**

THE INVESTMENT AGREEMENT

On 4 December 2016, the Company entered into the Investment Agreement with Tianye Holdings in relation to the establishment of the Joint Venture. Pursuant to the Investment Agreement, the Joint Venture will engage in the forestation and renewal, greening management, planning, design, construction project implementation and operation and maintenance services of green net construction.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Tianye Company is a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company. Tianye Holdings also owns approximately 21.50% of the issued share capital of the Company and Tianye Company is in turn owned by Tianye Holdings as to approximately 42.05% of its registered capital. Tianye Holdings is entitled to appoint and remove the majority of the board of directors of Tianye Company. Tianye Company is considered as a subsidiary of Tianye Holdings.

As a result, by virtue of Chapter 14A of the Listing Rules, Tianye Holdings is a connected person of the Company, and the establishment of the Joint Venture with a connected person constitutes a connected transaction of the Company. As one or more of the applicable percentage ratios are more than 0.1% but less than 5%, the entering into of the Investment Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

On 4 December 2016, the Company entered into the Investment Agreement with Tianye Holdings in relation to the establishment of the Joint Venture. The principal terms of the Investment Agreement are as follows:

INVESTMENT AGREEMENT

- Date:** 4 December 2016
- Parties:** (i) the Company
(ii) Tianye Holdings
- Term:** 50 years from the date of issue of the business licence of the Joint Venture, subject to renewal upon expiry

Purpose and Business Scope of the Joint Venture

To fully utilize the strengths of the Company in the areas of water saving irrigation technologies, new product development and the capability on water saving irrigation construction implementation, the Board of the Company approved the joint investment with Tianye Holdings in the establishment of the Joint Venture (which is tentatively named as 新疆天業生態科技有限公司), which will mainly engage in the forestation and renewal, greening management, planning, design, construction project implementation and operation and maintenance services of green net construction.

Capital Contribution

The registered capital of the Joint Venture is RMB25 million, which shall be contributed by its shareholders in cash. The Company will contribute RMB5 million in cash, representing 20% of its registered capital, and Tianye Holdings will contribute RMB20 million in cash, representing 80% of its registered capital. To ensure smooth preparation for the Joint Venture, the first phase of contribution amounting to RMB5 million will be made by its shareholders in proportion to their respective contribution mentioned above. Upon identification of a construction project, the investment amount of the project and its capital requirements would be considered. Upon due consideration and after the proposal by the board of directors of the Joint Venture and the approval by its shareholders at its general meeting, its shareholders shall make contributions by installment in proportion to their respective contributions. Any shortfall shall be financed by, among others, further capital contribution to the Joint Venture by its shareholders in proportion to their respective contributions to the Joint Venture, bank loans and the application for project support fund.

The Joint Venture is not a subsidiary of the Company.

Positioning and Business And Management Model of the Joint Venture

The Joint Venture is positioned as a model project to reflect its leading position in the water saving industry, and to effectively implement the business and management model in relation to the construction, sales, operation and maintenance and services of green net design, by way of research and development of new products, new technologies and new materials suitable for the greening of mountainous areas.

Composition of the Board of Directors of the Joint Venture

The board of directors of the Joint Venture shall comprise three directors for a term of three years, and they shall be nominated by shareholders and elected at the general meeting. The chairman of its board of directors shall be elected by the members of its board of directors. The Company can appoint one director.

Capital Alteration and Equity Transfer of the Joint Venture

In order to expand the scale of production and operation, enhance the capital strength and meet the project funding needs of the Joint Venture, the shareholders may approve a resolution so that the Joint Venture can issue additional shares to raise capital or use other means to inject capital.

For the transfer of equity interests to a person other than shareholders of the Joint Venture, consent of the other shareholder shall be obtained. Any shareholder intending to transfer its equity interests shall notify in writing and seek consent from the other shareholder, which shall be deemed to have agreed to the transfer if no reply is received within 30 days of the receipt of the notice in writing. If the other shareholder does not agree to the transfer, it shall purchase the equity interests proposed to be disposed of instead, otherwise it shall be deemed to have given consent to the transfer.

REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JOINT VENTURE

The establishment of the Joint Venture will fully utilize the strengths of the Company in irrigation technology, new product development and the ability to develop agricultural water saving irrigation projects. Coupled with the size and capital strengths of Tianye Holdings, the companies can complement each other with their own strengths and achieve a win-win situation. Through the development of the green net construction project, the Company will be able to further promote its advanced business philosophy, technical experience and management model and become a leader in technical upgrade and construction project operation and management for large-scale mountain area water saving projects. With the business growth of the Joint Venture, the profitability of the Company will be enhanced.

In view of the above, the Directors (including independent non-executive Directors) are of the opinion that the terms of the Investment Agreement have been entered into on normal commercial terms and in the ordinary course of business of the Group and that the terms of the Investment Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As Mr. Chen Lin is a Director and chairman of the Company as well as a director and deputy general manager of Tianye Holdings, he has material interests and has abstained from voting at the board meeting to approve the Investment Agreement. Save as disclosed above, no Director has any material interests in the Investment Agreement.

INFORMATION ON THE PARTIES

The Company

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

Tianye Holdings

Tianye Holdings is mainly engaged in the manufacturing and sales of chlor-alkali; sulfuric acid, hydrochloric acid, sodium hydroxide (protopine, alkali, solid caustic soda, caustic soda) calcium hypochlorite, sodium hypochlorite, lime, high boiling materials (dichloroethane); manufacturing and sale of 1,4-butanediol, glycol, chemicals, solid mercury catalysts, cement and cement products and plastic products; sale of steel, building materials, livestock products, machinery and equipment and chemical products; promotion of farming, aquaculture, water-saving agriculture technologies, research of water-saving agriculture technologies, import and export, international freight forwarding, property management, rail transportation through self-built railways; loading and unloading and handling, testing equipment technology consulting and services, machinery and equipment leasing services, processing and manufacturing of moulds and spare parts; advertisement design, production, publishing and agency; warehousing services (other than for hazardous chemicals), domestic freight forwarding agency services, customs clearance and inspection services, development and sale of computer software, information technology services and consultation, information system integration engineering, network cabling engineering, automation control system, sale, installation and maintenance of industrial monitoring equipment, design, production and maintenance of websites.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Tianye Company is a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company. Tianye Holdings also owns approximately 21.50% of the issued share capital of the Company and Tianye Company is in turn owned by Tianye Holdings as to approximately 42.05% of its registered capital. Tianye Holdings is entitled to appoint and remove the majority of the board of directors of Tianye Company. Tianye Company is considered as a subsidiary of Tianye Holdings.

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DEFINITIONS

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

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| “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, or its predecessor, 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 Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993 and came into force on 1 July 1994, as amended, supplemented or otherwise revised from time to time
“Directors”	the directors of the Company
“H Shares”	the overseas listed foreign shares of RMB1.00 each in the share capital of the Company and are listed on the Main Board of the Stock Exchange and are subscribed and traded in Hong Kong dollar
“Investment Agreement”	the investment agreement dated 4 December 2016 in relation to the establishment of the Joint Venture by the Company and Tianye Holdings
“Joint Venture”	a company proposed to be established in the PRC under the name of 新疆天業生態科技有限公司
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Investment Agreement, namely the Company and Tianye Holdings, and a “Party” shall mean either one 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 PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianye Holdings”	新疆天業(集團)有限公司 (Xinjiang Tianye (Group) Limited*), a company established in the PRC with limited liability on 28 June 1996 and wholly owned by 第八師國有資產監督管理委員會 (No. 8 Division of the State-owned Assets Supervision and Administration Commission*). As at the date of this announcement, it owns approximately 42.05% and 21.50% of the registered capital of Tianye Company and the Company respectively
“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 on 9 June 1997, whose A shares are listed on the Shanghai Stock Exchange. As at the date of this announcement, it owns approximately 38.91% of the registered capital of the Company
“%”	per cent

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

Xinjiang, the PRC, 4 December 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 purpose only*