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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)

**CONTINUING CONNECTED TRANSACTION
RENEWAL OF TENANCY AGREEMENT**

The Board announces that on 26 May 2017, a tenancy agreement in respect of office premises and factory premises have been renewed for a term of three years commencing from 1 July 2017 to 30 June 2020.

As Tianye Company is a controlling shareholder of the Company, the entering into of the tenancy agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

Given that the aggregate annual rental payable under the tenancy agreement, being approximately RMB1,455,820 is more than 0.1% but less than 5% of each of the applicable percentage ratios under Rule 14A.34 of the Listing Rules, the Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirement.

TENANCY AGREEMENT FOR OFFICE AND FACTORY PREMISES

| | | |
|-------------------|---|--|
| Date of agreement | : | 26 May 2017 |
| Landlord | : | Tianye Company |
| Tenant | : | the Company |
| Premises | : | (a) office premises located at 3rd Floor of No. 36 Bei San Dong Road, Economic and Technological Development Zone, Shihezi, Xinjiang, PRC (b) factory premises located at No. 36 Bei San Dong Road, Economic and Technological Development Zone, Shihezi, Xinjiang, PRC |
| Terms | : | three years commencing from 1 July 2017 to 30 June 2020 (both days inclusive) |
| Rental | : | RMB1,455,820 per annum (including management fee) payable in cash on 31 December of each year. The rental for 2017 shall be calculated on the actual number of days |
| Gross floor area | : | approximately 25,720 sq.m. |

CAP AMOUNT

Based on the annual rental payable under the tenancy agreement, the cap amount for each of the financial periods/years ending are as follows:

| | Six months ended 31 December 2014 | Year ended 31 December 2015 | Year ended 31 December 2016 | Six months ending 30 June 2017 | Six months ending 31 December 2017 | Year ending 31 December 2018 | Year ending 31 December 2019 | Six months ending 30 June 2020 |
|--------------------------------------|---|-----------------------------------|-----------------------------------|--------------------------------------|--|------------------------------------|------------------------------------|--------------------------------------|
| Cap amount for the tenancy agreement | <u>RMB727,910</u> | <u>RMB1,455,820</u> | <u>RMB1,455,820</u> | <u>RMB727,910</u> | <u>RMB727,910</u> | <u>RMB1,455,820</u> | <u>RMB1,455,820</u> | <u>RMB727,910</u> |

There is no other similar transaction which should be aggregated with the tenancy agreement pursuant to Rules 14A.25 to 14A.27 of the Listing Rules.

REASONS FOR THE TRANSACTION

The purpose of entering into the tenancy agreement is to renew the existing tenancy agreement for the same premises being occupied by the Company and its subsidiaries as office premises and factory premises at the same terms. The existing tenancy agreement will expire on 30 June 2017.

The terms of the tenancy agreement are arrived on an arm's length basis with reference to the prevailing market rents for the similar premises in the Xinjiang Uygur Autonomous Region of PRC. The Board, including the independent non-executive Directors, is of the opinion that the terms of the tenancy agreement are agreed on normal commercial terms and are fair and reasonable and it is in the interests of the Company to enter into the tenancy agreement.

INFORMATION RELATING TO THE COMPANY AND TIANYE COMPANY

The Company and its subsidiaries are principally engaged in the design, manufacturing and sales of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system. They also provide installation service of water saving irrigation system for their customers.

Tianye Company is principally engaged in the production and sales of plastic and chemical products; vehicles transportation; sales of machinery facilities (other than small vehicles and those products required special approval by the government of the PRC), construction materials, electric apparatus, steel productions, grain, cotton, textiles products, vehicle accessories, livestock products and dried and fresh fruits; agricultural cultivation, livestock feeding and exploitation of land and agricultural water for use; production and sales of tomato paste; collating, processing and sales of used plastic, import and export of goods and technologies; and processing of agricultural by-products.

CONNECTION BETWEEN THE PARTIES

As at the date of this announcement, the Company is held as to approximately 38.91% by Tianye Company as recorded in the register under the SFO. Under this circumstance, the entering into of the tenancy agreement constitutes a continuing connected transaction for the Company under the Listing Rules and the aggregate annual rental payable under the tenancy agreement by the Company and the subsidiaries of the Company to Tianye Company is approximately RMB1,455,820. As the annual aggregate rental payable under the tenancy agreement is more than 0.1% but less than 5% of the relevant applicable percentage ratios under Rule 14A.34 of the Listing Rules, the Company is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirement. Details of the tenancy agreement will be included in the annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

| | |
|------------------------|--|
| “Board” | the board of Directors |
| “Company” | Xinjiang Tianye Water Saving Irrigation System Company Limited* (新疆天業節水灌溉股份有限公司), a joint stock limited company established in the PRC with limited liability on 18 December 2003 under the Company Law or its predecessor |
| “Company Law” | The Company Law of the PRC as enacted 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 modified from time to time |
| “Directors” | the directors (including the independent non-executive Directors) of the Company |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “PRC” | the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Tianye Company” | Xinjiang Tianye Company Limited* (新疆天業股份有限公司), a company established in the PRC with limited liability on 9 June 1997, A shares of which were listed on the Shanghai Stock Exchange as at the date of this announcement |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |

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

Xinjiang, PRC, 26 May 2017

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