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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)

**RENEWAL OF
THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement dated 23 March 2015 of the Company in relation to the 2015 Master Sales Agreement and 2015 Master Purchase Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 23 March 2015 in respect of the supply of drip tape, PVC pipelines and drip assemblies by the Group to Tianye Holdings Group and purchase of PVC resins by the Group from the Tianye Holdings Group.

As the Group wishes to continue the transactions under the 2015 Master Purchase Agreement and 2015 Master Sales Agreement, the Company entered into the Master Purchase Agreement and the Master Sales Agreement with Tianye Holdings on 4 April 2018 for a further term until 31 December 2020.

LISTING RULES IMPLICATIONS

Tianye Company is a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company, and Tianye Holdings is also interested in approximately 21.51% 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 and Tianye Holdings is also entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company is considered as a subsidiary of Tianye Holdings. Thus, Tianye Company and Tianye Holdings are connected persons of the Company. Accordingly, the transactions contemplated under both the Master Purchase Agreement and the Master Sales Agreement constitute continuing connected transactions for the Company under the Listing Rules. Pursuant to Rule 14A.54(2) of the Listing Rules, where an agreement in relation to previously announced continuing connected transaction is renewed or there is a material change to the terms of the agreement, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing information in relation to the Master Sales Agreement and the Master Purchase Agreement, a letter from the Independent Board Committee, a letter setting out the advice of INCU to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the AGM to approve the continuing connected transactions contemplated and the proposed annual caps under the Master Sales Agreement and the Master Purchase Agreement will be issued to the Shareholders on or before 26 April 2018.

Reference is made to the announcement of the Company dated 23 March 2015 (the “**Announcement**”) in relation to the 2015 Master Purchase Agreement and the 2015 Master Sales Agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 23 March 2015 in respect of the supply of drip tape, PVC pipelines and drip assemblies by the Group to Tianye Holdings Group and purchase of PVC resins by the Group from the Tianye Holdings Group.

DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS

As the Group intends to continue carrying out the transactions under the 2015 Master Purchase Agreement and 2015 Master Sales Agreement in the ordinary and usual course of business of the Group, the Company entered into the following agreements with Tianye Holdings:

- (1) the Master Purchase Agreement; and
- (2) the Master Sales Agreement.

(1) Master Purchase Agreement

- Date of agreement: 4 April 2018
- Parties: (1) the Company (for itself and on behalf of its subsidiaries) as purchaser; and
(2) Tianye Holdings (for itself and on behalf of its subsidiaries) as the seller.
- Subject: Purchase of PVC resins.
- Condition Precedent: The Master Purchase Agreement shall take effect upon obtaining the approval of the Independent Shareholders in compliance with the Listing Rules (if necessary).
- Term: With effect from 1 January 2018 to 31 December 2020.
- Price: To be determined by reference to the price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out therein by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.
- Payment terms: Details of the payment terms shall be defined in each of the separate contracts to be entered by the Group and Tianye Holdings Group on terms mutually agreed in accordance with the terms and conditions of the Master Purchase Agreement, it is generally expected that the payment shall be made in full before delivery.

The annual caps under the Master Purchase Agreement shall not exceed RMB250,000,000 for each of the three years ending 31 December from 2018 to 2020 respectively. The proposed annual caps have been determined by reference to (i) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines of the Group; (ii) direct proportionality between the production of PVC pipelines and the demand for PVC resins; (iii) the proportion of PVC resins to be sourced from the Tianye Holdings Group; and (iv) the value of the transactions for the three years ended 31 December 2015 to 2017 i.e. approximately RMB213,710,000, RMB150,000,000 and RMB176,750,000 respectively.

(2) Master Sales Agreement

- Date of agreement: 4 April 2018
- Parties: (1) the Company (for itself and on behalf of its subsidiaries) as seller; and
(2) Tianye Holdings (for itself and on behalf of its subsidiaries) as the purchaser.
- Subject: Sale of PVC/PE pipelines, drip tape and drip assemblies.
- Condition Precedent: The Master Sales Agreement shall take effect upon obtaining the approval of the Independent Shareholders in compliance with the Listing Rules (if necessary).
- Term: With effect from 1 January 2018 to 31 December 2020.
- Price: To be determined by reference to the market price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out therein by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.
- Payment terms: Details of the payment terms shall be defined in each of the separate contracts to be entered by the Group and Tianye Holdings Group on terms mutually agreed in accordance with the terms and conditions of the Master Sales Agreement, it is generally expected that the payment shall be made in full before delivery.

The annual caps under the Master Sales Agreement shall not exceed RMB18,000,000 for each of the three years ending 31 December from 2018 to 2020 respectively. The proposed annual caps have been determined by reference to (i) the value of the transactions for the three years ended 31 December 2015 to 2017 i.e. approximately RMB1,505,000, RMB997,000 and RMB1,998,000 respectively, (ii) the estimated growing in the demand of Tianye Holdings and its customers, and (iii) increase in customers base of Tianye Holdings. The parties to the Master Sales Agreement also acknowledge that the Tianye Holdings Group's demand fluctuates materially based upon a variety of factors, including but not limited to the demand from its customers, and the portfolio of their equipment available for projects at any particular time.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the design, manufacturing and sales of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system, and the Group is also engaged in the provision of installation services of water saving irrigation system for the agricultural customers.

Tianye Holdings Group is principally engaged in different kinds of businesses, including the production and sales of plastic and chemical products, transportation, machinery facilities (for industrial purposes), construction installation (for construction of real estates), steel products, grain cotton and oil products, vehicle accessories, crop production, cultivation, production and sales of tomato paste and other food products, exploitation of land and water for agricultural use, processing of agricultural products and by-products and supply of electricity.

Given the fact that the factory of Tianye Holdings Group is located nearby, the Group can lower the transportation costs if the Group purchases PVC resins from Tianye Holdings Group.

Furthermore, in the event of shortage of PVC resins in the market, Tianye Holdings Group agrees to give priority to the Group to purchase at the market price the PVC resins from them. In the circumstances, the Directors believe that the Group will maintain its competitiveness in the market with lower purchasing costs and stable supply of PVC resins. On the other hand, the Group shall not be obliged to purchase the PVC resins if the Group has other better offer on price for similar quality from independent third parties.

Furthermore, the Group supplies the drip films, PVC/PE pipelines and drip assemblies to Tianye Holdings Group. The Directors consider that it is in the interest of the Group to enter into the Master Sales Agreement as sales to Tianye Holdings Group will increase the volume of sales on the Group's products and the profit of the Group.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of INCU) consider that the annual caps and the terms of the Master Purchase Agreement is on normal commercial terms and in the ordinary and usual course of business; fair and reasonable and in the interest of the Company and its Shareholders as a whole. The Directors including the independent non-executive Directors consider that the annual caps and the terms of the Master Sales Agreement is on normal commercial terms and in the ordinary and usual course of business; fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION RELATING TO THE COMPANY AND TIANYE COMPANY

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale 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 sale of plastic and chemical products; vehicles transportation; sale of machinery facilities (other than small vehicles and those products required special approval by the government of the PRC), construction material hardware 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.

LISTING RULES IMPLICATIONS

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, and Tianye Holdings is also interested in approximately 21.51% 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 and Tianye Holdings is also entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company is considered as a subsidiary of Tianye Holdings. In the circumstances, the transactions under both the Master Purchase Agreement and the Master Sales Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the Master Sales Agreement and the Master Purchase Agreement respectively are more than 5% and the annual consideration for the sales and purchase are more than HK\$10,000,000 respectively, the transactions contemplated under the Master Sales Agreement and the Master Purchase Agreement respectively, together with the proposed annual caps, are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. An Independent Board Committee of the Company has been formed to advise the Independent Shareholders on the terms of the Master Sales Agreement and the Master Purchase Agreement. INCU has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Tianye Holdings, Tianye Company and their associates will abstain from voting at the AGM.

As the executive Director of the Company, Mr. Zhang Qiang, the vice general manager of Tianye Company, has a material interest, he has abstained from voting at the board meeting to approve the Master Purchase Agreement and Master Sales Agreement. Save as disclosed above, none of the Directors has a material interest in the Master Purchase Agreement and Master Sales Agreement.

A circular containing information in relation to the Master Sales Agreement and the Master Purchase Agreement, a letter from the Independent Board Committee, a letter setting out the advice of INCU to the Independent Board Committee and the Independent Shareholders, together with a notice to convene the AGM to approve, among other things, the continuing connected transactions contemplated and the proposed annual caps under the Master Sales Agreement and the Master Purchase Agreement respectively will be issued to the Shareholders on or before 26 April 2018.

DEFINITION

“AGM”	the forthcoming annual general meeting of the Company to approve, among other things the transactions contemplated and the proposed annual caps under the Master Sales Agreement and the Master Purchase Agreement;
“associates”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“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, whose H Shares are listed and traded on the Main Board of the Stock Exchange;
“Company Law”	The Companies 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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	independent committee of the board of the Company comprising all independent non-executive Directors, Mr. Yin Feihu, Mr. Qin Ming, and Mr. Mak King Sau, which has been formed to advise the Independent Shareholders in respect of the transactions contemplated under the Master Purchase Agreement;
“Independent Financial Adviser” or “INCU”	INCU Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated and the proposed annual caps under the Master Purchase Agreement and the Master Sales Agreement respectively;
“Independent Shareholders”	Shareholders other than Tianye Holdings, and Tianye Company and their associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Purchase Agreement”	the master purchase agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 4 April 2018 for the purchase by the Group from Tianye Holdings Group of PVC resins;

“Master Sales Agreement”	the master sales agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 4 April 2018 for the sales by the Group to Tianye Holdings Group of the PVC/PE pipelines, drip tape and drip assemblies;
“2015 Master Purchase Agreement”	the master purchase agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 23 March 2015 for the purchase by the Group from Tianye Holdings Group of PVC resins;
“2015 Master Sales Agreement”	the master sales agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 23 March 2015 for the sales by the Group to Tianye Holdings Group of the PVC pipelines, drip tape and drip assemblies;
“PRC”	the People’s Republic of China, but 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 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, 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 Company Group”	Tianye Company and its subsidiaries;
“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 21.51% of the registered capital of Tianye Company and the Company respectively at the date of this announcement;

“Tianye Holdings Group” Tianye Holdings and its subsidiaries (including Tianye Company Group but excluding the Group); and

“%” per cent.

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

Hong Kong, 4 April, 2018

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*