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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 limited company incorporated in the People's Republic of China)

(Stock Code: 840)

**RENEWAL OF
THE EXISTING CONTINUING CONNECTED TRANSACTION —
MASTER PURCHASE AGREEMENT**

Reference is made to the announcement of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) dated 4 April 2018 in respect of, among other things, the renewal of the existing continuing connected transactions of the 2015 Master Purchase Agreement and the 2015 Master Sales Agreement between the Company and Tianye Holdings (the “**Announcement**”).

Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those define in the Announcement.

The aggregate transaction amount under the Master Purchase Agreement for the period from 1 January 2018 to 28 February 2018 (the “**Transactions**”) was approximately RMB32.5 million. As the applicable percentage ratios as at the end of February 2018 in respect of the Transactions has already exceeded 5% and is more than 10,000,000, the Transactions are subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, for which the Company should have complied with Rule 14A.35 and Rule 14A.36 of the Listing Rules in relation to the announcement of the Master Purchase Agreement and seeking for Independent Shareholders’ approval in February 2018. The breach of Rule 14A.35 and Rule 14A.36 of the Listing Rules was due to internal control deficiencies of the Group.

For the period from 1 January 2018 to 30 April 2018, the aggregate transaction amount under the Master Purchase Agreement was approximately RMB46.87 million.

The Directors consider that the failure to comply with Rule 14A.35 and Rule 14A.36 of the Listing Rules in relation to the announcement of the Master Purchase Agreement and seeking for Independent Shareholders' approval was inadvertent and it was a one-off incident. In light of the non-compliance, the Company has already taken immediate actions to tighten the internal control procedures including (i) provision of internal training to responsible staff to increase their understanding of connected transactions and emphasis the importance of timely reporting of connected transactions; and (ii) designation of the senior management of the Group being responsible for detecting or preventing the non-disclosure of connected transactions. The Directors consider these procedures can prevent the recurrence of similar event in the future. Notwithstanding the non-compliance of the Rule 14A.35 and 14A.36 of the Listing Rules, the Company is able to comply with other annual review and reporting requirements under Chapter 14A. The Company's independent non-executive directors had reviewed the continuing connected transactions on a yearly basis and has confirmed in the annual report that the transactions have been entered into in the ordinary and usual course of business of the Group and on a normal commercial term. The Company has also engaged its auditors to report on the continuing connected transactions on a yearly basis.

The AGM approving the Master Purchaser Agreement and the transactions contemplated thereunder will be convened on 15 June 2018 and the circular containing the details including but not limited to further information on the Master Purchase Agreement, the proposed annual cap of 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 will be dispatched to the shareholder on 29 May 2018.

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

Hong Kong, 28 May 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 purpose only