
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xinjiang Tianye Water Saving Irrigation System Company Limited*, you should at once hand this circular, together with the enclosed forms of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

I. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO ENTERING INTO THE PROJECT CONSTRUCTION SERVICES FRAMEWORK AGREEMENT; AND II. NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to Independent Board Committee and
Independent Shareholders**



裕韜資本有限公司
Euto Capital Partners Limited

A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this circular. A letter from Euto Capital Partners Limited, the Independent Financial Adviser, containing its recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 18 to 36 of this circular.

The notice for convening the extraordinary general meeting ("EGM") of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Wednesday, 30 November 2022 at 11:00 a.m. are set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is dispatched on Monday, 14 November 2022, and published on the website of the Stock Exchange (<http://www.hkexnews.hk>). Whether or not you are able to attend the EGM, please complete and return the forms of proxy in accordance with the instructions printed thereon to the Hong Kong H share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for the holders of H Shares only) or at the Company's registered office at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meetings. Completion and return of the forms of proxy will not preclude you from attending and voting at the meetings or any adjourned meeting(s) should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent and control the spreading of the coronavirus disease 2019 (COVID-19), the following precautionary measures will be implemented at the EGM of the Company:

- (1) Compulsory temperature screening/checks;
- (2) Submission of health and travel declaration form;
- (3) Wearing of surgical face mask; and
- (4) No provision of refreshments or drinks.

Attendees who do not comply with the precautionary measures referred to in (1) to (4) above may be denied entry to the venue for the EGM, at the absolute discretion of the Company as permitted by law. For the health and safety of Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

* For identification purpose only

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 7 October 2022 in relation to, among others, the Project Construction Services Framework Agreement;
“Articles of Association”	the articles of association of the Company as may be amended from time to time;
“associate(s)”	has the meaning as defined under the Listing Rules;
“Board”	the board of directors of the Company;
“business days”	Any day (other than Saturday, Sunday, or public holiday) on which the banks in Hong Kong and the PRC are open for general commercial business;
“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;
“connected person(s)”	has the meaning as defined under the Listing Rules;
“continuing connected transaction(s)”	has the meaning as defined under the Listing Rules;
“Directors”	the directors of the Company;
“Domestic Shares”	domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB;
“EGM”	the extraordinary general meeting of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Wednesday, 30 November 2022 at 11:00 a.m., for, among others, the Independent Shareholders to consider and, if thought fit, approve the Project Construction Services Framework Agreement and the transactions contemplated thereunder;
“Eighth Division SASAC”	the State-owned Assets Supervision and Administration Commission of the Xinjiang Production and Construction Corps Eighth Agricultural Division;
“Group”	the Company and its subsidiaries;

DEFINITIONS

“H Shares”	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\$;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors;
“Independent Financial Adviser” or “Euto Capital”	Euto Capital Partners Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, 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 Project Construction Services Framework Agreement;
“Independent Shareholders”	Shareholders other than Tianye Group, and Tianye Company and their associates;
“Latest Practicable Date”	10 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information as contained therein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Project Construction Services”	various infrastructure construction services to be provided by the Group to Tianye Group under the Project Construction Services Framework Agreement, including but not limited to project construction services and other services related to construction, works, maintenance, and safety rectification;
“Project Construction Services Framework Agreement”	the Project Construction Services Framework Agreement entered into between the Company and Tianye Group on 7 October 2022 in relation to the provision of infrastructure construction services;
“RMB”	Renminbi, the lawful currency of the PRC;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	H Shares, the Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company;
“Shareholders”	the holders of H Shares and Domestic Shares from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder(s)”	has the meaning as defined under the Listing Rules;
“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 Latest Practicable Date;
“Tianye Company Group”	Tianye Company and its subsidiaries;
“Tianye Group”	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, which is owned as to 90% by 新疆生產建設兵團第八師國資委 (Xinjiang Production and Construction Eighth Division SASAC*) and as to 10% by 新疆生產建設兵團國資委 (Xinjiang Production and Construction Army SASAC*). It owns approximately 45.14% and 21.51% of the registered capital of Tianye Company and the Company respectively as at Latest Practicable Date; it is directly and indirectly interested in a total of approximately 60.42% of the issued share capital of the Company;
“Tianye Group Companies”	Tianye Group and its subsidiaries (including Tianye Company Group but excluding the Group); and
“%”	per cent.

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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)

Executive Directors:

Mr. Li He (*Chairman*)
Ms. Yang Ling
Mr. Jiang Dayong

Independent non-executive Directors:

Mr. Li Lianjun
Ms. Gu Li
Mr. Hung Ee Tek
Mr. He Xinlin

Supervisors:

Mr. Wang Zhigang
Mr. Chen Cailai
Mr. Xie Xinghui

Registered office:

No. 36, Bei San Dong Road,
Shihezi Economic and Technological
Development Zone,
Shihezi,
Xinjiang,
PRC

Principal place of business

in Hong Kong:
Room B102, Block B,
10/F., International Industrial Building,
No. 501–503 Castle Peak Road,
Cheung Sha Wan, Kowloon,
Hong Kong

14 November 2022

To the Shareholders

Dear Sir or Madam,

**I. CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO ENTERING INTO THE PROJECT
CONSTRUCTION SERVICES FRAMEWORK AGREEMENT;
AND
II. NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 7 October 2022 in relation to, among others, the Project Construction Services Framework Agreement.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (1) further details of the Project Construction Services Framework Agreement and its transactions contemplated thereunder; (2) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Project Construction Services Framework Agreement; and (3) a letter from the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders containing advice in respect of the Project Construction Services Framework Agreement.

2. PROJECT CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

Principal terms

- Date : 7 October 2022
- Parties : (i) the Company (for itself and on behalf of its subsidiaries), as the vendor; and
(ii) Tianye Group (for itself and on behalf of its subsidiaries), as the purchaser.
- Transactions : The Group will provide Tianye Group with the Project Construction Services.
- Conditions Precedent : The Project Construction Services Framework Agreement will come into effect upon the following conditions being satisfied:
- (i) the Project Construction Services Framework Agreement has been duly executed and sealed by both the Company and Tianye Group;
 - (ii) the Project Construction Services Framework Agreement and the transactions as contemplated thereunder have been approved by the relevant regulatory authorities (including but not limited to the relevant government authorities and the Stock Exchange); and
 - (iii) the Company has complied with the relevant requirements under the Listing Rules in relation to the Project Construction Services Framework Agreement and the transactions as contemplated thereunder, including but not limited to making a report to the Stock Exchange, issuing an announcement and obtaining the approval from its Independent Shareholders in respect of the Project Construction Services Framework Agreement.
- Term : From 1 January 2022 to 31 December 2024.

LETTER FROM THE BOARD

Pricing policies : The following pricing principles shall apply to pricing for services to be provided under the Project Construction Services Framework Agreement in the following order:

- (i) Government-mandated and government-suggested prices:

Where the government prescribes that pricing applies to products, technologies, or services of any specific type (at any time), supply/provision of such products, technologies, or services shall be based on the applicable government-mandated prices. In case of applicable government-suggested pricing standards, the relevant prices shall refer to government-suggested pricing agreements. In accordance with the requirements under the national standard GB50500–2013 “Code of Valuation with Bill of Quantities of Construction Works”* (《建設工程工程量清單計價規範》), any construction project subject to the invitation to tender as required by law must implement the invitation to tender for bill of quantities and prepare pricing limits for the invitation to tender; and

This pricing principle mainly applies to pre-construction engineering services, survey, design and technical services, turnkey project services, engineering project management services, and tender management services. Among which, the relevant government-mandated and government-suggested prices for pre-construction engineering services, turnkey project services, and engineering project management services currently and mainly refer to the Regulations on Construction Project Supervision and Associated Service Fees Management* (《建設工程監理與相關服務收費管理規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on its website. The relevant government-mandated and government-suggested prices for survey, design and technical services currently and mainly refer to the Project Survey and Design Fee Management Regulations* (《工程勘察設計收費管理規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on its website. The relevant government-mandated and government-suggested prices for tender management services currently and mainly refer to the Provisional Measures on the Administration of Service Fees Charged for Tender Agency Services* (《招標代理服務收費管理暫行辦法》) issued by the National Development and Reform Commission.

LETTER FROM THE BOARD

(ii) Market prices:

Prices quoted by independent third parties for comparable or similar products or services on general commercial terms in the ordinary course of business; and

This pricing principle mainly applies to pre-construction engineering services, survey, design and technical services, and turnkey project services. Mainly in reference to the Regulations on the Implementation of the Tender and Bidding Law of the PRC* (《中華人民共和國招標投標法實施條例》), prices for equipment, materials, services, and others in relation to project construction are obtained in the market by way of public tender or independent third-party markets.

(iii) Agreed prices: prices are determined by reasonable costs plus specific reasonable profits.

This pricing principle has limited applications, with a few applications in survey, design and technical services, as well as engineering project management services of the works. Costs of these services mainly include (i) service costs related to purchase activities in the market or service costs as listed in the internal pricing standards of Tianye Group and the Group; and (ii) staff costs and travel expenses incurred over the course of services management of the Group (which are determined according to staff costs and travel standards of the Group). Profits of these services are mainly derived from management fees charged to the aforesaid costs. The management rate, which is generally ranging from 8% to 15% is mainly affected by (i) the market share of similar services (A higher market share of similar services of the Company usually means lesser competitors, for which the management fee rates generally increase); and (ii) changes in costs due to inflation, which is determined by the transaction parties through negotiations on general commercial terms.

The final price shall be determined after arms' length negotiations and on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best knowledge of the Directors, no governmental pricing policies apply to the Project Construction Services Framework Agreement. Where any governmental pricing or suggested pricing applies to the relevant transactions in the future, the parties to the Project Construction Services Framework Agreement shall first implement such governmental pricing or suggested pricing. As for market prices, the Company will mainly take into consideration the fair prices quoted by third parties for comparable or similar project construction services in, or in areas in proximity to, Shihezi City.

Payment terms : The consideration in respect of the said services may be settled on a lump sum basis or by installation, and details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Group on terms mutually agreed in accordance with the terms and conditions of the Project Construction Services Framework Agreement.

Historical transaction amount

The Company has no previous transactions similar to those contemplated under the Project Construction Services Framework Agreement with Tianye Group. Therefore, there is no historical amount in respect of the transactions as contemplated under the Project Construction Services Framework Agreement as at the Latest Practicable Date. The Company confirmed that the Group has not provided any infrastructure construction services to Tianye Group since 1 January 2022 and up to the Latest Practicable Date, and the Group will not provide any infrastructure construction services to Tianye Group prior to the date of the EGM.

Annual caps and the basis of determination

With the following factors taken into account, the annual caps for each of the three years ending 31 December 2024 under the Project Construction Services Framework Agreement are as follows:

	For the year ending 31 December		
	2022	2023	2024
	<i>(RMB)</i>		
Annual caps	110,000,000	310,000,000	310,000,000

LETTER FROM THE BOARD

In determining the annual caps under the aforesaid Project Construction Services Framework Agreement, the Directors have taken into consideration various factors, including (i) the number of tenders won by the Company from Tianye Group (as at the Latest Practicable Date, the Company has won the tenders for 13 projects of Tianye Group) and the transaction amounts to be contemplated under such successful tenders (the aggregate expected contract sum up to the Latest Practicable Date being approximately RMB128,000,000.00, subject to the entry of the formal agreement between the Company and Tianye Group regarding the said successful tenders), as well as the future transaction plans; (ii) the impact of the contract signing time and performance progress on the expense recognition, as such construction works in general will take around three months to one year to complete; (iii) the construction and maintenance plans for various projects of Tianye Group in the next three years (to the Company's best knowledge, there will be 13 projects to be carried out by Tianye Group and the Company is expected to participate in the tender process of 12 of them) and its business development plan, including projects as contemplated under the letter of intent for strategic cooperation with governments at all levels, as well as the expected service demands of Tianye Group; and (iv) the buffer (being approximately 5%) budgeted to cope with potential increase in the relevant service demands of Tianye Group, as well as estimated increase in average market prices for similar services due to expected increase in costs caused by inflation.

Due to the large-scale outbreak of the epidemic in Xinjiang since July 2022, the epidemic situation in Shihezi region was more severe, and a silent management system has been implemented since July 2022, all construction projects have been on hold and the Company's staff quarantined at home since the beginning of the silent management. As the Company is uncertain about how long the pandemic situation will last and the project kick starting date of Tianye Group, therefore, no contract has been entered in regards of the said 13 bid-winning projects, which are the key projects of technical transformation and fixed asset investment of Tianye Group to be implemented in 2022. Tianye Group's project investment and construction plan were submitted to the relevant government departments for record in early 2022, and must be completed in accordance with the planned progress to complete the investment in fixed assets and technical transformation projects. In October 2022, the Company is given to understand that the 13 bid-winning projects must be kick starting this year, therefore, the Company is currently finalizing the contract terms of the formal agreements with Tianye Group and is expecting to kick start the projects as soon as the approval by the Independent Shareholders on the Project Construction Services Framework Agreement has been obtained.

LETTER FROM THE BOARD

3. REASONS OF PROPOSED CONTINUING CONNECTED TRANSACTIONS

(i) As the construction project segment is a major development direction under the Group's development strategy, five subsidiaries of the Group that are in possession of the third-grade qualifications for building construction, water conservancy and hydropower construction, and municipal construction have the capabilities to engage in infrastructure construction for workshops, houses and water conservancy facilities, therefore demonstrating their advantages and qualifications in project construction experiences, technologies, market position, personnel, and other areas; (ii) based on the excellent track record of the Company and its subsidiaries in providing engineering and construction services, as well as the reliable quality of engineering and construction services, the infrastructure construction projects of Tianye Group undertaken by the Company and its subsidiaries can ensure the project construction quality higher than the average level of third party units; (iii) the project construction and installation services of Tianye Group undertaken by the Company and its subsidiaries are normal business transactions, which are in line with the actual operation and development needs of the Company, and at the same time follow the market pricing principle. The transaction price is fair and reasonable, which is conducive to ensuring the efficient and orderly project development, improving the efficiency of capital operation, and reducing operating costs for projects undertaken by the Company; (iv) the Company and its subsidiaries has a management team with qualifications and good construction technologies fit for project construction, as the team has stellar performances and experiences, and can provide convenient services with proven track records of contract performances, which is conducive to advancing the progress of Tianye Group's construction projects and improving the Company's benefits; (v) the Company and its subsidiaries have the capability to effectively manage and control their subcontractors; and (vi) the Company and its subsidiaries are committed to the vertically integrated expansion of construction, operation and services, and strive to establish a unique market position in the engineering and construction business sector in which the Company is engaged, therefore creating a competitive advantage in the Xinjiang region and across the country that is difficult to be imitated by competitors.

4. INTERNAL CONTROL PROCEDURES

The Group has adopted the following internal control procedures to standardize and prescribe pricing policies, mechanism, terms of reference, and decision-making agencies so that the continuing connected transactions are conducted in accordance with their framework agreement and in strict compliance with the relevant pricing policies.

Particularly for the purposes of the continuing connected transactions as contemplated under the Project Construction Services Framework Agreement and the annual caps (non-exempt continuing connected transactions), the guiding principles will apply and the relevant internal control procedures are as follows:

- (i) The finance department of the Company will closely monitor and record actual transaction amounts of the continuing connected transactions contemplated under the Project Construction Services Framework Agreement to ensure the annual caps therein will not be exceeded;

LETTER FROM THE BOARD

- (ii) The relevant officers of the business department of the Company will conduct regular inspections to review and assess whether the transactions contemplated under the Project Construction Services Framework Agreement proceed in accordance with the terms therein, so as to consider whether specific transaction prices are fair and reasonable and in compliance with the aforesaid pricing policies: (a) in connection with governmental pricing principles, the Group will review the relevant government-mandated or government-suggested prices to ensure that prices quoted to Tianye Group will be in compliance with the relevant government-mandated or government-suggested prices; (b) in connection with the market pricing principle, as far as provision of services to Tianye Group is concerned, the Group will review terms offered by independent third parties, and ensure principal terms offered to Tianye Group will be favorable to the Group and no less favorable to terms offered by the Group to independent third parties; (c) in connection with the agreed pricing principle, where neither the governmental pricing principle nor market pricing principle apply, prices offered to Tianye Group will be determined in reference to reasonable costs plus specific reasonable profits, in which case the Group will ensure the relevant profit margin will not be less favorable than those offered by independent third parties;
- (iii) In accordance with the Listing Rules, the auditor of the Company will review the continuing connected transactions (which shall be subject to annual review and disclosure requirements under the Listing Rules) on an annual basis, and confirm whether (a) the transactions contemplated under the Project Construction Services Framework Agreement are approved by the Board; (b) these transactions are in compliance with the pricing policies of the Group in all material aspects; (c) these transactions are entered into in accordance with the Project Construction Services Framework Agreement; and (d) annual caps are exceeded; and
- (iv) In accordance with the Listing Rules, the Independent Non-executive Directors shall conduct annual reviews (which shall be subject to annual review and disclosure requirements under the Listing Rules) to confirm that the transactions contemplated under the Project Construction Services Framework Agreement are conducted (a) in the ordinary and usual course of business; (b) on normal commercial or better terms; and (c) in accordance with the Project Construction Services Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Where the proposed annual caps in preceding paragraphs are exceeded, the Project Construction Services Framework Agreement is renewed, or material changes take place, the Company will be required to re-comply with the reporting, announcement, and Independent Shareholders' approval requirements under Rules 14A.35 to 14A.47 of the Listing Rules.

LETTER FROM THE BOARD

5. OPINIONS OF DIRECTORS ON THE CONTINUING CONNECTED TRANSACTIONS AND ABSTENTION FROM VOTING ON RESOLUTIONS BEFORE THE BOARD

The Directors (including the Independent Non-executive Directors) believe that the annual caps contemplated under the Project Construction Services Framework Agreement and the terms therein are determined in the ordinary and usual course of business on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ms. Yang Ling and Mr. Jiang Dayong, Executive Directors of the Company, have abstained from voting on the approval of the Project Construction Services Framework Agreement at the meeting of the Board, as they have material interests therein as a member of the Party Committee and the director of the operation and management department of Tianye Group, respectively. Save as disclosed above, none of the Directors have material interests in the Project Construction Services Framework Agreement.

6. INFORMATION ABOUT THE COMPANY AND TIANYE GROUP

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation system, and is also engaged in the provision of installation services of water saving irrigation system for its customers as well as engaged in land circulation and engineering business, and strategic developing digital agriculture and agriculture service business.

Tianye Group 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); transportation of in-road general cargos; manufacturing and sale of 1,4-butanediol, glycol, chemicals, solid mercury catalysts, cement and cement products, plastic products, calcium carbonate and sodium carbonate; 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; agricultural planning and design, agricultural technology research and promotion, plantation and sales of crops, agricultural product processing and sales; engineering design, construction, contracting, and technology transfer; thermal power generation; heat supply; sales of electricity and steam; electrical testing; vehicle leasing; catering services; sales of calcium carbide, coal and

LETTER FROM THE BOARD

coal products; and sales of mineral products and metal materials. As at the Latest Practicable Date, the registered capital of Tianye Group is owned as to 90% by 新疆生產建設兵團第八師國資委 (Xinjiang Production and Construction Eighth Division SASAC*) and as to 10% by 新疆生產建設兵團國資委 (Xinjiang Production and Construction Army SASAC*).

7. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Tianye Group is the actual controller of the Company and holds a total of approximately 60.42% of the issued share capital of the Company, therefore Tianye Group is a connected person of the Company. In light that Tianye Group is a connected person of the Company, the transactions contemplated under the Project Construction Services Framework Agreement constitute the continuing connected transactions of the Company in accordance with Chapter 14A of the Listing Rules.

As the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the Project Construction Services Framework Agreement is more than 5%, the transactions contemplated under the Project Construction Services Framework Agreement, together with the proposed annual caps, are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. ABSTENTION FROM VOTING AT EXTRAORDINARY GENERAL MEETING

An Independent Board Committee of the Company comprising all Independent Non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Project Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and whether they are in the interests of the Company and its Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Project Construction Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and whether they are in the interests of the Company and its Shareholders as a whole.

To the best knowledge, information, and belief of the Directors, as at the Latest Practicable Date, save for Tianye Group and its associates, no other Shareholders shall be required to abstain from voting at the extraordinary general meeting, and the vote to be taken at the extraordinary general meeting in respect of the Project Construction Services Framework Agreement shall be conducted by poll.

LETTER FROM THE BOARD

9. EGM

The EGM will be held on Wednesday, 30 November 2022 at 11: 00 a.m. at the conference room of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC.

The notice for convening the EGM at which the resolutions mentioned above will be proposed is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM will be despatched on Monday, 14 November 2022, and published on the website of the Stock Exchange (<http://www.hkexnews.hk>). Whether or not you are able to attend the EGM in person, you are requested to complete and return the forms of proxy in accordance with the instructions printed thereon to the H share registrar and transfer office of the Company, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Tuesday, 29 November 2022) or not less than 24 hours before the time appointed for the holding of any adjournment thereof or not less than 24 hours before the time appointed for taking the poll. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

10. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for certain procedural or administrative matters to be decided by the chairman of the meeting, all votes of the Shareholders at the general meetings will be taken by poll. Accordingly, the chairman of the EGM will demand a poll for every resolution to be put to the vote at the EGM pursuant to the Articles of Association.

11. CLOSURE OF REGISTER OF MEMBERS

For the purpose of the EGM, the register of the members of the Company will be closed from Monday, 28 November 2022 to Wednesday, 30 November 2022 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the forthcoming extraordinary general meeting of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar and the transfer office in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Friday, 25 November 2022.

12. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

LETTER FROM THE BOARD

13. RECOMMENDATION

The Company has appointed Euto Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Project Construction Services Framework Agreement. The text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 36 of this circular.

The Directors consider that the proposed resolution as set out in the notice of EGM are all in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the notice of EGM in respect thereof.

Yours faithfully
For and on behalf of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Li He
Chairman

* *For identification purpose only*



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)

14 November 2022

To the Independent Shareholders

Dear Sir or Madam,

**I. CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO ENTERING INTO OF THE PROJECT
CONSTRUCTION SERVICES FRAMEWORK AGREEMENT;
AND
II. NOTICE OF EXTRAORDINARY GENERAL MEETING**

We have been appointed as members of the Independent Board Committee to give our advice on the Project Construction Services Framework Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) included in the circular dated 14 November 2022 (the “**Circular**”), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular and the letter from the Board unless the context otherwise requires.

Euto Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the Project Construction Services Framework Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 18 to 36 of the Circular.

* *For identification purpose only*

LETTER FROM INDEPENDENT BOARD COMMITTEE

Having considered the terms and conditions of the Project Construction Services Framework Agreement, the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the Project Construction Services Framework Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and are on normal commercial terms. The Project Construction Services Framework Agreement are in the interests of the Company and the Shareholders taken as a whole, and the terms and conditions of the Project Construction Services Framework Agreement are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Project Construction Services Framework Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Li Lianjun

*Independent
non-executive
Director*

Ms. Gu Li

*Independent
non-executive
Director*

Mr. Hung Ee Tek

*Independent
non-executive
Director*

Mr. He Xinlin

*Independent
non-executive
Director*

LETTER FROM EUTO CAPITAL

The following is a letter of advice from the Independent Financial Adviser to the Independent Board Committee prepared for the purpose of incorporation into this Composite Document.



Room 1204, Jubilee Centre
18 Fenwick Street
Wan Chai
Hong Kong

14 November 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO ENTERING INTO THE PROJECT CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Project Construction Services Framework Agreement contemplated thereunder and the annual caps (the “**Transactions**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 14 November 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

1. Background of the Transactions

Reference is made to the Letter.

On 7 October 2022, the Company and Tianye Group entered into the Project Construction Services Framework Agreement, pursuant to which, Tianye Group agreed to purchase infrastructure construction services from the Group for a period from 1 January 2022 to 31 December 2024.

2. Implication under the Listing Rules

As at the Latest Practicable Date, Tianye Group is the actual controller of the Company and holds a total of approximately 60.42% of the issued share capital of the Company directly and indirectly, therefore Tianye Group is a connected person of the Company. In light that Tianye Group is a connected person of the Company, the transactions contemplated under the Project Construction Services Framework Agreement constitute the continuing connected transactions of the Company in accordance with Chapter 14A of the Listing Rules.

LETTER FROM EUTO CAPITAL

As the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the Project Construction Services Framework Agreement is more than 5%, the transactions contemplated under the Project Construction Services Framework Agreement, together with the proposed annual caps, are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Li Lianjun, Ms. Gu Li, Mr. Hung Ee Tek and Mr. He Xinlin, has been established to consider and advise the Independent Shareholders as to whether the terms of the Project Construction Services Framework Agreement contemplated thereunder and the annual caps are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transactions. None of the members of the Independent Board Committee has any material interest in the Transactions.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Project Construction Services Framework Agreement and the transactions contemplated thereunder and the annual caps are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transactions. None of the members of the Independent Board Committee has any material interest in the Transactions.

OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance ("**SFO**") to carry out Type 6 (advising on corporate finance) regulated activity. Euto Capital has been participated in and completed various independent financial advisory transactions since 2015. Ms. Regina Wong ("**Ms. Wong**") and Ms. Wendy Liu ("**Ms. Liu**") are the persons jointly signing off the opinion letter from Euto Capital contained in the Circular. Ms. Wong has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2017, while Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Each of Ms. Wong and Ms. Liu was participated in and completed various independent financial advisory transactions in Hong Kong.

LETTER FROM EUTO CAPITAL

As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could reasonably be regarded as hindrance to Euto Capital's independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

We are not associated with and have no significant connection financially or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence.

Accordingly, we consider that we have performed all reasonable steps as required under the Listing Rules and are eligible to give independent advice on the terms of the Project Construction Services Framework Agreement and the transactions contemplated thereunder and the annual caps.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Project Construction Services Framework Agreement contemplated thereunder and the annual caps, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the "**Management**").

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

LETTER FROM EUTO CAPITAL

We consider that we have been provided with, and we have reviewed all currently available information and documents, among others: (i) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2022 (“**2022 Interim Report**”); (iii) the announcement of the Company dated 7 October 2022 in relation to the entering into of the Project Construction Services Framework Agreement; (iv) the historical transactions documents between the Group and other independent construction companies; (v) the basis and assumption of the transactions contemplated under the Project Construction Services Framework Agreement and the annual caps; and (vi) the internal control guideline of the Company which are made available to us and enable us to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

We have assumed that the transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Project Construction Services Framework Agreement and the transactions contemplated thereunder and the annual caps, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transactions

The Board of Directors announced that on 7 October 2022 (after trading hours), the Company and Tianye Group (the parent company of the Company) entered into the Project Construction Services Framework Agreement, pursuant to which, Tianye Group agreed to purchase infrastructure construction services from the Group.

1.1 Information of the Company (for itself and on behalf of its subsidiaries) as the vendor

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation system, and is also engaged in the provision of installation services of water saving irrigation system for its customers as well as engaged in land circulation and engineering business, and strategic developing digital agriculture and agriculture service business.

1.2 Information of Tianye Group (for itself and on behalf of its subsidiaries) as the purchaser

Tianye Group 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); transportation of in-road general cargos; manufacturing and sale of 1,4-butanediol, glycol, chemicals, solid mercury catalysts, cement and cement products, plastic products, calcium carbonate and sodium carbonate; 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; agricultural planning and design, agricultural technology research and promotion, plantation and sales of crops, agricultural product processing and sales; engineering design, construction,

contracting, and technology transfer; thermal power generation; heat supply; sales of electricity and steam; electrical testing; vehicle leasing; catering services; sales of calcium carbide, coal and coal products; and sales of mineral products and metal materials. As at the Latest Practicable Date, the registered capital of Tianye Group is owned as to 90% by 新疆生產建設兵團第八師國資委 (Xinjiang Production and Construction Eighth Division SASAC*) and as to 10% by 新疆生產建設兵團國資委 (Xinjiang Production and Construction Army SASAC*).

2. Reasons for entering into the Project Construction Services Framework Agreement

As set out in the announcement issued by the Company dated 7 October 2022, we noticed that the Company has taken into consideration that (i) as the construction project segment is a major development direction under the Group's development strategy, five subsidiaries of the Group that are in possession of the third-grade qualifications for building construction, water conservancy and hydropower construction, and municipal construction have the capabilities to engage in infrastructure construction for workshops, houses and water conservancy facilities, therefore demonstrating their advantages and qualifications in project construction experiences, technologies, market position, personnel, and other areas; (ii) based on the excellent track record of the Company and its subsidiaries in providing engineering and construction services, as well as the reliable quality of engineering and construction services, the infrastructure construction projects of Tianye Group were undertaken by the Company and its subsidiaries can ensure the project construction quality higher than the average level of third party units; (iii) the project construction and installation services of Tianye Group undertaken by the Company and its subsidiaries are normal business transactions, which are in line with the actual operation and development needs of the Company, and at the same time follow the market pricing principle. The transaction price is fair and reasonable, which is conducive to ensuring the efficient and orderly project development, improving the efficiency of capital operation, and reducing operating costs for projects undertaken by the Company; (iv) the Company and its subsidiaries has a management team with qualifications and good construction technologies fit for project construction, as the team has stellar performances and experiences, and can provide convenient services with proven track records of contract performances, which is conducive to advancing the progress of Tianye Group's construction projects and improving the Company's benefits; (v) the Company and its subsidiaries have the capability to effectively manage and control their subcontractors; and (vi) the Company and its subsidiaries are committed to the vertically integrated expansion of construction, operation and services, and strive to establish a unique market position in the engineering and construction business sector in which the Company is engaged, therefore creating a competitive advantage in the Xinjiang region and across the country that is difficult to be imitated by competitors.

According to our research conducted on the public online search platform Tianyancha (天眼查), Tianye Group was established in June 1996 with over 26 years of operating history. As advised by the Management, the Company has no previous transactions similar to those contemplated under the Project Construction Services Framework Agreement with Tianye Group.

Having considered the above, and particularly, the entering into of the Project Construction Services Framework Agreement will enable the stability in the Project Construction Services to be provided by the Group's construction project segment to Tianye Group, we are of the view that the entering into of the Project Construction Services Framework Agreement, are conducted in the ordinary and usual course of the Group's business and are in the interests of both the Company and the Shareholders as a whole.

3. Principal terms of the Project Construction Service Framework Agreement

As extracted from the Letter in the Circular, the principal terms of the Project Construction Services Framework Agreement are set out below:

Date

7 October 2022

Parties

- (i) the Company (for itself and on behalf of its subsidiaries), as the vendor; and
- (ii) Tianye Group (for itself and on behalf of its subsidiaries), as the purchaser.

Transactions

The Group will provide Tianye Group with the Project Construction Services.

Conditions Precedent

The Project Construction Services Framework Agreement will come into effect upon the following conditions being satisfied:

- (i) the Project Construction Services Framework Agreement has been duly executed and sealed by both the Company and Tianye Group;
- (ii) the Project Construction Services Framework Agreement and the transactions as contemplated thereunder have been approved by the relevant regulatory authorities (including but not limited to the relevant government authorities and the Stock Exchange); and

LETTER FROM EUTO CAPITAL

- (iii) the Company has complied with the relevant requirements under the Listing Rules in relation to the Project Construction Services Framework Agreement and the transactions as contemplated thereunder, including but not limited to making a report to the Stock Exchange, issuing an announcement and obtaining the approval from its Independent Shareholders in respect of the Project Construction Services Framework Agreement.

Term

From 1 January 2022 to 31 December 2024.

Pricing policies

The following pricing principles shall apply to pricing for services to be provided under the Project Construction Services Framework Agreement in the following order:

- (i) Government-mandated and government-suggested prices:

Where the government prescribes that pricing applies to products, technologies, or services of any specific type (at any time), supply/provision of such products, technologies, or services shall be based on the applicable government-mandated prices. In case of applicable government-suggested pricing standards, the relevant prices shall refer to government-suggested pricing agreements. In accordance with the requirements under the national standard GB50500–2013 “Code of Valuation with Bill of Quantities of Construction Works”* (《建設工程工程量清單計價規範》), any construction project subject to the invitation to tender as required by law must implement the invitation to tender for bill of quantities and prepare pricing limits for the invitation to tender; and

This pricing principle mainly applies to pre-construction engineering services, survey, design and technical services, turnkey project services, engineering project management services, and tender management services. Among which, the relevant government-mandated and government-suggested prices for pre-construction engineering services, turnkey project services, and engineering project management services currently and mainly refer to the Regulations on Construction Project Supervision and Associated Service Fees Management* (《建設工程監理與相關服務收費管理規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on its website. The relevant government-mandated and government-suggested prices for survey, design and technical services currently and mainly refer to the Project Survey and Design Fee Management Regulations* (《工程勘察設計收費管理規定》) issued by the Ministry of Housing and Urban-Rural Development of the PRC on its website. The relevant government-mandated and government-suggested prices for tender management services currently

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and mainly refer to the Provisional Measures on the Administration of Service Fees Charged for Tender Agency Services* (《招標代理服務收費管理暫行辦法》) issued by the National Development and Reform Commission.

(ii) Market prices:

Prices quoted by Independent Third-Parties for comparable or similar products or services on general commercial terms in the ordinary course of business; and

This pricing principle mainly applies to pre-construction engineering services, survey, design and technical services, and turnkey project services. Mainly in reference to the Regulations on the Implementation of the Tender and Bidding Law of the PRC* (《中華人民共和國招標投標法實施條例》), prices for equipment, materials, services, and others in relation to project construction are obtained in the market by way of public tender or Independent Third-Party markets.

(iii) Agreed prices: prices are determined by reasonable costs plus specific reasonable profits.

This pricing principle has limited applications, with a few applications in survey, design and technical services, as well as engineering project management services of the works. Costs of these services mainly include (i) service costs related to purchase activities in the market or service costs as listed in the internal pricing standards of Tianye Group and the Group; and (ii) staff costs and travel expenses incurred over the course of services management of the Group (which are determined according to staff costs and travel standards of the Group). Profits of these services are mainly derived from management fees charged to the aforesaid costs. The management rate, which is generally ranging from 8% to 15% is mainly affected by (i) the market share of similar services (A higher market share of similar services of the Company usually means lesser competitors, for which the management fee rates generally increase); and (ii) changes in costs due to inflation, which is determined by the transaction parties through negotiations on general commercial terms.

The final price shall be determined after arms' length negotiations and on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, to the best knowledge of the Directors, no governmental pricing policies apply to the Project Construction Services Framework Agreement. Where any governmental pricing or suggested pricing applies to the relevant transactions in the future, the parties to the Project Construction Services Framework Agreement shall first implement such governmental pricing or suggested pricing. As for market

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prices, the Company will mainly take into consideration the fair prices quoted by third parties for comparable or similar project construction services in, or in areas in proximity to, Shihezi City.

Payment terms

The consideration in respect of the said services may be settled on a lump sum basis or by installation, and details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Group on terms mutually agreed in accordance with the terms and conditions of the Project Construction Services Framework Agreement.

Our analysis regarding the Project Construction Service Framework Agreement

We have (i) reviewed the Project Construction Services Framework Agreement which mentions that the terms of the Project Construction Services to be rendered by the Company and its subsidiaries to Tianye Group as contemplated under the Project Construction Services Framework Agreement; and (ii) obtained sample construction service contracts entered into between the Group and other Independent Third-Party clients in relation to projects of the Group in the past two years. We compared the principal terms of the abovementioned construction service contracts and found that the nature of construction services provided to other Independent Third-Party clients, under the contracts which we have obtained for sampling is similar to the Project Construction Services to be provided under the Project Construction Services Framework Agreement. We are therefore of the view that the terms of the Project Construction Services Framework Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group.

As confirmed by the Management in relation to the pricing basis of the tenders submitted by the Group, the price and terms of the tenders submitted by the Group to Tianye Group regarding Tianye Group's construction works in the PRC are subject to the standard and systematic tender submission procedures maintained by the Group, which apply for tenders submitted to both connected persons and Independent Third-Parties. The Group prepares and generates the tender documents and construction bill of quantities (工程量清單) through the construction cost management software (the "Software") called "New Point costing list Xinjiang version" (新點清單造價新疆版) with complete and latest national construction fixed-rate database and the local government pricing standard in Xinjiang. In relation to our due diligence, we have assessed the fairness and reasonableness of the pricing mechanism by reviewing the tender documents and construction bill of quantities submitted to both connected persons and Independent Third-Parties of the bid-winning construction services projects on a sampling basis, and noted that the tender submission documents with both connected persons and Independent Third-Parties followed the same procedure. In the sub-section headed "Tender offer preparation basis" (投標報價編製依據) in the construction bill of quantities for the construction projects for

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both connected persons and Independent Third-Parties, we also observed that the Group took into consideration the market prices comparable of similar project construction services in, or in areas in proximity to, Shihezi City. Based on the above, we are of the view that the pricing policy is fair and reasonable and in the interest of the Company and the Shareholders as a whole. As confirmed by the Management, in relation to the provision of Project Construction Services to all customers (both connected parties and Independent Third Parties), the Company will primarily make reference to the prices quoted from the Software with latest national construction fixed-rate database and the local government pricing standard in Xinjiang, therefore, the Directors are of the view that the prices charged to Tianye Group for the provision of Project Construction Services will be in line with the prices charged by the Group to Independent Third-Party clients.

As stated in the 2022 Interim Report, China is a powerhouse of agricultural development. The targets of economic and social development for the “14th Five-Year Plan” period were proposed at the annual meetings of the Chinese People’s Political Consultative Conference and the National People’s Congress, as there is limited development in the agricultural and rural areas. As a result, rural revitalization shall be advanced at a comprehensive level, and resolution of the “three rural” issues shall be given top priority in the midst of the whole Party’s work. In pursuit of rural revitalization characterised by Chinese socialism, the government will fully implement the rural revitalization strategy, i.e. “Strategic Plan for Rural Revitalization (2018–2022) (《鄉村振興戰略規劃(2018–2022年)》)”, under which it is planned that 1 billion mu of high-standard farmland will be developed in 2022, with an effective irrigation area of 1.05 billion mu. Therefore, the entering into of the Project Construction Services Framework Agreement is in line with the business development plan of the Company and the Company can seize the market opportunities arising from the Chinese government policies by becoming a comprehensive construction service provider in the PRC.

In view of the above, we are of the view that the terms of the Project Construction Services Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole and is in line with the business development of the Group.

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4. The Annual Caps

Annual caps and the basis of determination

As set out in the Letter, the proposed annual caps for each of the three years ending 31 December 2024 under the Project Construction Services Framework Agreement are as follows:

	2022	2023	2024
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Annual caps	110,000,000	310,000,000	310,000,000

In determining the annual caps under the aforesaid Project Construction Services Framework Agreement, the Directors have taken into consideration various factors, including (i) the number of tenders won by the Company from Tianye Group (as at the Latest Practicable Date, the Company has won the tenders for 13 projects of Tianye Group) and the transaction amounts to be contemplated under such successful tenders (the aggregate expected contract sum up to the Latest Practicable Date being approximately RMB128,000,000.00, subject to the entry of the formal agreement between the Company and Tianye Group regarding the said successful tenders), as well as the future transaction plans; (ii) the impact of the contract signing time and performance progress on the expense recognition, as such construction works in general will take around three months to one year to complete; (iii) the construction and maintenance plans for various projects of Tianye Group in the next three years (to the Company's best knowledge, there will be 25 projects to be carried out by Tianye Group and the Company is expected to participate in the tender process of 12 of them) and its business development plan, including projects as contemplated under the letter of intent for strategic cooperation with governments at all levels, as well as the expected service demands of Tianye Group; and (iv) the buffer (being approximately 5%) budgeted to cope with potential increase in the relevant service demands of Tianye Group, as well as estimated increase in average market prices for similar services due to expected increase in costs caused by inflation.

Our assessments on the proposed annual caps and its basis

In our assessment of the reasonableness of the annual caps under the Project Construction Services Framework Agreement, we have reviewed the estimated total amount of Project Construction Services to be purchased by Tianye Group from the Company for the three years ending 31 December 2024 and the underlying basis and assumptions respectively. We understand that the Project Construction Services providing to Tianye Group including but not limited to Project Construction Services and other services related to construction, works, maintenance and safety rectification. Moreover, the Company is required to go through the relevant tender process before being engaged by Tianye Group or any of its subsidiaries to provide the Project Construction Services to Tianye Group.

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As set out in the internal control policy regarding Construction Project Bidding Management Methods 《項目投標管理辦法》, the prices and terms of bids submitted by the Company to Tianye Group and its subsidiaries for construction projects undertaken by the Company are subject to the Company's standard and systematic bid submission procedures. This procedure applies to the bids submitted to Tianye Group and Independent Third-Parties to ensure principal terms offered to Tianye Group will be no less favorable to terms offered by the Group to Independent Third-Parties. We have reviewed the tender documents of 13 bid-winning projects with pricing based on the information obtained from the Software and we are of the view that the pricing policy are consistent with the Construction Project Bidding Management Methods. The Group did not provide similar project services under the Project Construction Services Framework to the other Independent Third-Parties. We cannot compare the pricing of the construction contracts with Independent Third-Parties and connected person on various construction services provided by the Group. The reason is that, before 2019, the Group focused on projects in agricultural land renovation, water-saving irrigation building construction services business, in 2022, the Group has adapted to the market demand and future development trends to expand the business map in construction services, so there are no similar comparable projects in previous years. Even though we have not been provided with contracts with other Independent Third Party clients in relation to the provision of similar project services by the Group, based on the fact that the prices are quoted from the Software which the Group can obtain latest government mandated and government suggested prices, we are of the view that the pricing policy adopted by the Group is fair and reasonable. We have discussed with the Company regarding the below factors and concurred with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the annual caps at the proposed levels, after taking the following into consideration:

- (i) we have reviewed and discussed with the Management the basis and assumptions underlying the projections of the annual caps and, in particular, a Project Construction Services schedule prepared by the Management (the "**Schedule**") which sets out (a) the estimated aggregate contract sum which the Group may act as contractors in the construction works of Tianye Group for the three years ending 31 December 2024; (b) the information of 25 construction projects with details in construction content, expected timetable, the contract sum of winning bid (if any), the estimated contract sum and the estimated basis of the contract sum allocation during the three years ending 31 December 2024 for each project. According to the Schedule, there were 13 bid-winning projects from Tianye Group and 12 Potential Construction Projects (the "**Potential Construction Projects**") which the Company is expected to participate in the tender process. With regard to the bid-winning projects, we have obtained and reviewed the notifications of winning bid and the tender documents. With regard to the projects which the Company is expected to participate in the tender

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process, we have obtained a proposed project list provided by Tianye Group. Regarding the basis in determining the estimated contract sums of the 12 Potential Construction Projects, the Company selected 12 projects from Tianye Group's proposed project list after the Company considered a number of factors including but not limited to relevant construction technology, professional qualification, project management, total expenses etc. Based on the nature of the construction projects, the Company estimated the respective contract sum by calculating the average unit prices for each project. As confirmed by the Management, the nature of the 12 Potential Construction Projects is similar to the 13 bid-winning projects. Since the Schedule listed out details of each project which the Company is expected to provide Project Construction Services to Tianye Group, we consider it is reasonable to use the Schedule as the basis for the calculation of the proposed annual caps;

- (ii) with a view to assess the reasonableness for calculating the annual caps under the Project Construction Services Framework Agreement, we have reviewed the Schedule and the proposed project list provided by Tianye Group in relation to the provision of Project Construction Services and noted that the annual caps is being an estimated aggregate contract sum for the three years ending 31 December 2024 which is calculated by adding the total contract sums of 13 bid-winning construction projects and estimated contract sums of 12 Potential Construction Projects selected from the proposed project list of Tianye Group that the Group is expected to participate in the tender process. When determining the contract sum for each project, the Management has taken into account i) the project construction duration and the allocation of the contract sum; ii) the construction content of the project; iii) the projected construction sequence and progress; and iv) taking reference with previous similar nature of the construction projects for the construction cost estimation;
- (iii) as set out in the Letter, the construction project segment is a major development direction under the Group's development strategy. The Company will continue to make overall planning in close pursuit of the 14th five-year strategic development and planning goals, having considered that the sustainable growth of the Group's Project Construction Services in the PRC, the Management expects that Tianye Group's demand for Project Construction Services offered by the Group or other independent contractors will continue to increase during the three years ending 31 December 2024. The Directors consider that the proposed annual caps under the Project Construction Services Framework Agreement will advance the progress of Tianye Group's construction projects and improve the Group's benefits. Therefore, it is reasonable for the Company to procure construction services for its expansion;

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- (iv) in order to allow certain flexibility for any unexpected in respect of the Project Construction Services to be undertaken under the Project Construction Services Framework Agreement, the annual caps have included a buffer of approximately 5% for the three years ending 31 December 2024. We have discussed with the Management of the Company that, a moderate buffer is provided to cater for (a) unexpected business growth; (b) the estimated inflation rate in the PRC; and (c) on the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Company or Tianye Group for the three years ending 31 December 2024. We consider it is justifiable for the contracting parties to provide a reasonable buffer to accommodate any upward changes in the Project Construction Services and any unexpected changes in labour cost and unexpected fluctuation in cost of raw material and ancillary services for the three years ending 31 December 2024; and
- (v) we have also conducted a market research, as extracted from the website of the National Bureau of Statistics of China (the “NBS”) at <http://data.stats.gov.cn>, the total output value of the construction industry in the PRC has increased year-on-year by approximately 10.0%, 6.2% and 11% in 2019, 2020 and 2021, respectively. We also extracted total population and the urbanization population to calculate the urbanization rate in the PRC which are approximately 63%, 64% and 65% in 2019, 2020 and 2021 respectively. Therefore, we are of the view that the historical rapid growth in total output value of the construction industry in the PRC and steady growth in urbanization rate in the PRC, have contributed towards a sustainable growth potential of PRC’s construction industry in the future, which is also a favorable factor for the entering into of the Project Construction Services Framework Agreement.

In addition, we have also considered the below quantitative factors:

- (i) the portion of the annual caps for the Project Construction Services Framework Agreement were determined based on the contract sums from 13 bid-winning projects that we have reviewed the tender documents to confirm the contract sums. The aggregate contract sums of 13 bid-winning projects representing approximately 94.97% and 7.55% of the annual caps in 2022 and 2023, respectively. As advised by the Management, due to the large-scale outbreak of the epidemic in Xinjiang since July 2022, the epidemic situation in Shihezi region was more severe, and a silent management system has been implemented since July 2022, all construction projects have been on hold and the Company’s staff quarantined at home since the beginning of the silent management. In addition, the Management is uncertain about how long

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the pandemic situation will last and the project kick starting date of Tianye Group, therefore, no contract has yet to be signed. According to the Management, the 13 bid-winning projects were the key projects of technical transformation and fixed asset investment of Tianye Group this year. As Tianye Group is a large state-owned enterprise, the project investment and construction plan were submitted to the relevant government departments for record in early 2022, and must be completed in accordance with the planned progress to complete the investment in fixed assets and technical transformation projects. In October 2022, the Company is given to understand that the 13 bid-winning projects must be kick starting this year, therefore, the Company is currently finalizing the contract terms with Tianye Group and is expecting to kick start the projects as soon as relevant approvals regarding the Annual Caps has been obtained. Based on the above and the 13 bid-winning projects timetable provided by the Group, we are of the view that the proposed annual cap in 2022 is fair and reasonable. The aggregate estimated contract sums of 12 Potential Construction Projects that the Group are expected to participate representing approximately 87.42% and 94.92% of the annual caps in 2023 and 2024, respectively. Since July 2022, due to the influence of the epidemic in Xinjiang, the tenders of larger construction projects of Tianye Group have been delayed, and the Company's ability to undertake large construction projects is restricted, while Tianye Group has changed the business plan to shift their major projects to 2023 and 2024. As a result, there is a large gap between the aggregate contract sums of the 13 bid-winning projects and the aggregate estimated contract sums of 12 Potential Construction Projects in 2023 and 2024. Please see the table below for the aggregate contract sums for the three years ending 31 December 2024:

	2022 <i>(RMB)</i>	2023 <i>(RMB)</i>	2024 <i>(RMB)</i>
The contract sums of 13 bid-winning projects	104,466,700	23,394,300	—
12 construction projects are expected to participate	<u>—</u>	<u>271,000,000</u>	<u>294,260,000</u>
Total contract sums	104,466,700	294,394,300	294,260,000
Buffer	<u>5,533,300</u>	<u>15,605,700</u>	<u>15,740,000</u>
Annual caps	<u><u>110,000,000</u></u>	<u><u>310,000,000</u></u>	<u><u>310,000,000</u></u>

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- (ii) there will be 12 Potential Construction Projects that the Company is expected to provide Project Construction Services to Tianye Group. The contract sum for each project is primarily estimated based on historical market prices charged by Independent Third-Party services providers in provision of relevant project construction services to Tianye Group. In relation to our due diligence, we have reviewed historical tender documents between Tianye Group and Independent Third-Party services providers. In addition, the Management also confirmed that they have taken into account the information on the website of Xinjiang Production and Construction Corps Public Resources Trading Information Network (新疆生產建設兵團公共資源交易信息網: <http://ggzy.xjbt.gov.cn/>) (the “Website”) in determining the estimated contract sum for each project if there are no particularly similar historical construction projects undertaken by the Company and its subsidiaries with Independent Third-Party. The historical projects on the Website are all recorded projects, including the preliminary design, the preliminary budget, the budget estimate, and the pricing control are officially recognized. The Company used it as a reference basis in determining the estimated contract sum for the 12 Potential Construction Projects, according to the total contract sum of similar construction projects bidding and the total construction area in square meters on the Website. The Company calculated the average unit price by dividing the total contract sums by the total construction area.

To conclude, based on the analysis above, we understand from the Company that the annual caps are determined by estimated aggregate contract sum which the Group may act as contractors in the construction works of Tianye Group for the three years ending 31 December 2024, with reference to the expected timetable of its construction projects in the next three years and the consideration of a certain buffer to allow flexibility to cater for any variation order in respect of the construction works. Having considered the above factors, we concur with the Directors that the annual caps are fair and reasonable.

INTERNAL CONTROL MEASURES CONCERNING THE PROJECT CONSTRUCTION SERVICES FRAMEWORK AGREEMENT

The Group has adopted the following internal control procedures to standardize and prescribe pricing policies, mechanism, terms of reference, and decision-making agencies so that the continuing connected transactions are conducted in accordance with their framework agreement and in strict compliance with the relevant pricing policies.

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Particularly for the purposes of the continuing connected transactions as contemplated under the Project Construction Services Framework Agreement and the annual caps (non-exempt continuing connected transactions), the guiding principles will apply and the relevant internal control procedures are as follows:

- (i) The finance department of the Company will closely monitor and record actual transaction amounts of the continuing connected transactions contemplated under the Project Construction Services Framework Agreement to ensure the annual caps therein will not be exceeded;
- (ii) The relevant officers of the business department of the Company will conduct regular inspections to review and assess whether the transactions contemplated under the Project Construction Services Framework Agreement proceed in accordance with the terms therein, so as to consider whether specific transaction prices are fair and reasonable and in compliance with the aforesaid pricing policies: (a) in connection with governmental pricing principles, the Group will review the relevant government-mandated or government-suggested prices to ensure that prices quoted to Tianye Group will be in compliance with the relevant government-mandated or government-suggested prices; (b) in connection with the market pricing principle, as far as provision of services to Tianye Group is concerned, the Group will review terms offered by Independent Third-Parties, and ensure principal terms offered to Tianye Group will be favorable to the Group and no less favorable to terms offered by the Group to Independent Third-Parties; (c) in connection with the agreed pricing principle, where neither the governmental pricing principle nor market pricing principle apply, prices offered to Tianye Group will be determined in reference to reasonable costs plus specific reasonable profits, in which case the Group will ensure the relevant profit margin will not be less favorable than those offered by Independent Third-Parties;
- (iii) In accordance with the Listing Rules, the auditor of the Company will review the continuing connected transactions (which shall be subject to annual review and disclosure requirements under the Listing Rules) on an annual basis, and confirm whether (a) the transactions contemplated under the Project Construction Service Framework Agreement are approved by the Board; (b) these transactions are in compliance with the pricing policies of the Group in all material aspects; (c) these transactions are entered into in accordance with the Project Construction Services Framework Agreement; and (d) annual caps are exceed. We understand the Company must engage its auditor to report on the continuing connected transactions every year and to comment on the above-mentioned issues pursuant to rule 14A.56 to 14A.58 of the Listing Rules. As such, we are of the view that the Company's auditor will review the transactions contemplated under the Project Construction Services Framework Agreement to confirm that the transactions thereunder have not exceeded the annual caps on a yearly basis; and

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- (iv) In accordance with the Listing Rules, the Independent non-executive Directors shall conduct annual reviews (which shall be subject to annual review and disclosure requirements under the Listing Rules) to confirm that the transactions contemplated under the Project Construction Services Framework Agreement are conducted (a) in the ordinary and usual course of business; (b) on normal commercial or better terms; and (c) in accordance with the Project Construction Services Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. We have reviewed the profiles of all independent non-executive Directors in the Annual Report. All of them has extensive experience in accounting, legal and/or business operations of the Group. Therefore, we consider that the independent non-executive Directors are capable of fully implementing the relevant internal control measures in respect of the transactions contemplated under the Project Construction Services Framework Agreement.

Where the proposed annual caps in preceding paragraphs are exceeded, the Project Construction Services Framework Agreement is renewed, or material changes take place, the Company will be required to re-comply with the reporting, announcement, and Independent Shareholders' approval requirements under Rules 14A.35 to 14A.47 of the Listing Rules.

Accordingly, we have reviewed at least ten circulars in relation to the continuing connected transactions as disclosed by the listed companies on the main board of the Stock Exchange during the past three months period prior to 6 October 2022, which reveal those companies have a similar internal control practice of governing the continuing connected transactions, such as reviewing the continuing connected transactions by auditor and independent non-executive directors on a regular basis. In light of the usual practice of the other listed companies on the Stock Exchange and our analysis regarding each of the above internal control procedures to be imposed on the continuing connected transactions, in particular, (i) the reporting system to restrict the maximum value of the continuing connected transactions by way of the annual caps; and (ii) the ongoing regular review by the auditors and the Independent non-executive Directors of the Company of the terms of the continuing connected transactions and the relevant annual caps not being exceeded.

The Directors consider that the proposed internal control system of the Group is adequate to ensure that the transactions as contemplated under the Project Construction Services Framework Agreement will be on normal commercial terms and no less favourable to the Company than those offered by Independent Third-Parties. We concur with the view of the Directors (including the independent non-executive Directors) that the procedures to be adopted by the Group to govern the continuing connected transactions are sufficient and effective to ensure that such transactions will be conducted under normal commercial terms and are not prejudicial to the interest of the Company and the Independent Shareholders.

LETTER FROM EUTO CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we consider that (i) the Project Construction Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) the terms of the Project Construction Services Framework Agreement are on normal commercial terms and are fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole to enter into the proposed transactions with Tianye Group; and (iii) the annual caps for the three years ending 31 December 2024 for the Project Construction Services Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Wendy Liu
Director

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Regina Wong
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES**(A) Interests in the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors, supervisors and the chief executive of the Company who had an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

(B) Other interests

As at the Latest Practicable Date, so far is known to the Directors,

- (i) none of the Directors and supervisors of the Company had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up;
- (ii) none of the Directors and supervisors of the Company was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole; and
- (iii) save as disclosed in this circular, none of the Directors and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to Section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

(A) Domestic Shareholders

As at the Latest Practicable Date, the Directors, supervisors and chief executives of the Company who had an interest or short position in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company are taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules are as follows:

Name	Capacity	Number of the domestic Shares of the Company held (Note 1)	Approximate percentage of the total issued domestic Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Xinjiang Tianye Company Limited (“Tianye Company”) (Note 3)	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited (“Tianye Group”) (Note 4)	Beneficial owner Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.51% 38.91%

Notes:

- “L” denotes the person’s/entity’s long position in the Shares.

2. The approximate percentage of shareholding is calculated with reference to the total issued Shares of 519,521,560 Shares (including domestic Shares and H Shares).
3. The domestic Shares held by Tianye Company represents approximately 63.75% of the total domestic Shares in issue.
4. 202,164,995 domestic Shares were held by Tianye Company. By virtue of the SFO, Tianye Group, which is interested in approximately 45.14% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic Shares held by Tianye Company.

(B) H Shareholders

Name	Capacity	Number of H shares of the Company held <i>(Note 1)</i>	Approximate percentage of the total issued H shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Long Thrive Holdings Limited ("Long Thrive") <i>(Note 3)</i>	Beneficial owner	14,407,000 (L)	7.12%	2.77%
Mr. Ding Wei ("Mr. Ding") <i>(Note 4)</i>	Interest in controlled corporation	14,407,000 (L)	7.12%	2.77%
Ms. Wang Bing ("Ms. Wang") <i>(Note 5)</i>	Interest of spouse	14,407,000 (L)	7.12%	2.77%

Notes:

1. The letter "L" denotes the person's/entity's long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 shares (including domestic shares and H shares).
3. The H shares held by Long Thrive were equivalent to approximately 7.12% of the total H shares in issue of the Company.
4. Long Thrive directly held 14,407,000 H Shares. Long Thrive is wholly-owned by Mr. Ding. By virtue of the SFO, Mr. Ding is deemed to be interested in the 14,407,000 H shares held by Long Thrive.
5. Ms. Wang is the spouse of Mr. Ding. By virtue of SFO, Ms. Wang is deemed to be interested in the 14,407,000 H shares held by Long Thrive.

4. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or the Supervisors nor any of their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules.

5. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors and supervisors of the Company entered or proposed to enter into any service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following are the qualification of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Euto Capital Partners Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
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As at the Latest Practicable Date, Euto Capital does not have any beneficial interest in the share capital of any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Euto Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its name in the form and context in which they are included.

The letter and recommendation given by Euto Capital are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, Euto Capital does not have or did not have any interest, direct or indirect, in any assets which have been, since 31 December 2021 (being the date to which the latest audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (xj-tianye.com) for a period of 14 days from the date of this circular:

- (a) the Project Construction Services Framework Agreement;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out from pages 16 to 17 of this circular;
- (c) the letter from Euto Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out from pages 18 to 36 of this circular; and
- (d) the consent referred to in the paragraph headed “EXPERT AND CONSENT” of this Appendix.

NOTICE OF EGM

Hong Kong Exchange and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “**EGM**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited* (the “**Company**”) will be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the People's Republic of China (the “**PRC**”) on Wednesday, 30 November 2022 at 11:00 a.m. for the following purposes and to pass the following resolutions:

ORDINARY RESOLUTIONS

1. The Project Construction Services Framework Agreement dated 7 October 2022 between the Company and Tianye Group (for itself and on behalf of its subsidiaries) (a copy of which is produced to the EGM and marked “A” and initialled by the chairman of the EGM for identification purpose) and the non-exempt continuing connected transactions contemplated thereunder (as defined under the Rules Governing the Listing of Securities on the Stock

* *For identification purpose only*

NOTICE OF EGM

Exchange of Hong Kong Limited) be and are hereby approved, confirmed and ratified; the annual caps for each of the three years ended 31 December 2024 (as defined in the announcement of the Company dated 7 October 2022 and the relevant circular dispatched to the Shareholders of the Company in due course, which the notice of EGM forms part thereof, and a copy of which is produced to the EGM and marked “B” and initialled by the chairman of the EGM for identification purpose) be and are hereby approved; and any director of the Company be and is hereby authorized to, for and on behalf of the Company, execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be necessary or expedient to implement or give effect the Project Construction Services Framework Agreement.

By Order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Li He
Chairman

Xinjiang, the PRC, 14 November 2022

Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint in written form for one or more than one proxy to attend and vote at the EGM on his behalf. A proxy need not be a member of the Company.
2. The form of proxy for the EGM is herewith enclosed. In order to be valid, the form of proxy, if such proxy form is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed, must be deposited at the Company’s H Share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for the holders of H Shares only) or the registered office of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares), not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.
3. Shareholders or their proxies shall present proofs of identities when attending the EGM.
4. The register of the members of the Company will be closed from Monday, 28 November 2022 to Wednesday, 30 November 2022 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the EGM of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s H Share

NOTICE OF EGM

registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Friday, 25 November 2022.

5. Shareholders who intend to attend the EGM should complete and return the enclosed reply slip for attendance to the H Share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for the holders of H Shares only) or the registered office of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), by hand, by post or by fax (the fax number of the Company's H Share registrar and transfer office: (852) 28611465 (for the holders of H Shares only) or the fax number of the Company (86993) 2623183 (for the holders of Domestic Shares only)) on or before 4:30 p.m. on Thursday, 24 November 2022.
6. Voting of the resolutions as set out in this notice will be by poll in accordance with the requirements under the Listing Rules.
7. The EGM is expected to last for less than half day. The Shareholders and proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.
8. The Company's registered address:

No. 36, Bei San Dong Road, Shihezi Economic and Technology Development Zone, Shihezi, Xinjiang, the PRC
9. Precautionary measures for the EGM:

Please refer to the cover of the circular of the Company dated 14 November 2022 for the measures being taken to prevent and control the spreading of the coronavirus disease (COVID-19) at the EGM, which includes (i) compulsory temperature screening/checks; (ii) submission of health and travel declaration form; (iii) wearing of surgical face mask; and (iv) no provision of refreshments or drinks. Any person who fails to comply with these precautionary measures may be denied access to the venue of the EGM. The Company would like to encourage the Shareholders to exercise their right to vote on the relevant resolutions at the EGM by appointing the chairman of the EGM as their proxy, instead of attending the EGM in person.