
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)

(1) RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS:

- (i) NEW MASTER PURCHASE AGREEMENT; AND
- (ii) NEW MASTER SALES AGREEMENT;

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to Independent Board Committee and
Independent Shareholders



INCU Corporate Finance Limited

A letter from the Board is set out on pages 5 to 21 of this circular. A letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from INCU Corporate Finance Limited, the Independent Financial Adviser, containing its recommendation to the Independent Board Committee and the Independent Shareholders, is set out on pages 24 to 46 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 Thursday, 18 February 2021 at 11:00 a.m. are set out on pages 53 to 56 of this circular. A form of proxy for use at the EGM is dispatched on Thursday, 14 January 2021, 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:

“2018 Master Purchase Agreement”	the master purchase agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Group (for itself and on behalf of its subsidiaries) on 4 April 2018 for the purchase by the Group from Tianye Group Companies of PVC resins for the period from 1 January 2018 to 31 December 2020;
“2018 Master Sales Agreement”	the master sales agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Group (for itself and on behalf of its subsidiaries) on 4 April 2018 for the sales by the Group to Tianye Group Companies of the PVC/PE pipelines, drip tapes and drip assemblies for the period from 1 January 2018 to 31 December 2020;
“Announcement”	the announcement of the Company dated 26 November 2020 in relation to, among others, the New Master Purchase Agreement and the New Master Sales 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;

DEFINITIONS

“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 Thursday, 18 February 2021 at 11:00 a.m., for, among others, the Independent Shareholders to consider and, if thought fit, approve the New Master Purchase Agreement and the New Master Sales Agreement and the transactions contemplated thereunder;
“Eighth Division SASAC”	the State-owned Assets Supervision and Administration Commission of the XPCC Eighth Agricultural Division;
“Group”	the Company and its subsidiaries;
“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 Financial Adviser” or “INCU”	INCU Corporate Finance 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 New Master Purchase Agreement and the New Master Sales Agreement respectively;
“Independent Shareholders”	Shareholders other than Tianye Group, and Tianye Company and their associates;
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors, namely Mr. Yin Feihu, Mr. Qin Ming, Ms. Gu Li and Mr. Hung Ee Tek;
“Latest Practicable Date”	11 January 2021, 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;

DEFINITIONS

“New Master Purchase Agreement”	the master purchase agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Group (for itself and on behalf of its subsidiaries) on 26 November 2020 for the purchase by the Group from Tianye Group Companies of PVC resins;
“New Master Sales Agreement”	the master sales agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Group (for itself and on behalf of its subsidiaries) on 26 November 2020 for the sales by the Group to Tianye Group Companies of the PVC/PE pipelines, drip tapes and drip assemblies;
“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;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 was wholly owned by the Eighth Division SASAC. It owns approximately 53.57% and 21.51% of the registered capital of Tianye Company and the Company respectively as at Latest Practicable Date;

DEFINITIONS

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

“%” percent.

* *For identification purpose only*



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)

Executive Directors:

Mr. Chen Lin (*Chairman*)
Mr. Huang Dong
Mr. Tan Xinmin

Independent non-executive Directors:

Mr. Yin Feihu
Mr. Qin Ming
Ms. Gu Li
Mr. Hung Ee Tek

Supervisors:

Mr. Chen Cailai
Mr. Xie Xinghui
Ms. Chen Jun

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 January 2021

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF THE EXISTING CONTINUING CONNECTED
TRANSACTIONS:**
- (i) NEW MASTER PURCHASE AGREEMENT; AND
(ii) NEW MASTER SALES AGREEMENT;**
- (2) PROPOSED AMENDMENTS TO THE ARTICLES
OF ASSOCIATION; AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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LETTER FROM THE BOARD

1. INTRODUCTION

References are made to (1) the Announcement in relation to, among others, the New Master Purchase Agreement and the New Master Sales Agreement and their transactions contemplated thereunder and the announcement of the Company dated 23 December 2020 in relation to the delay in despatch of this circular; and (2) the announcements of the Company dated 8 December 2020 and 11 January 2021 in relation to the proposed amendments to the Articles of Association.

The purpose of this circular is to provide you with (1) further details of the New Master Purchase Agreement and the New Master Sales Agreement and their transactions contemplated thereunder; (2) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the New Master Purchase Agreement and the New Master Sales Agreement; (3) a letter from the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders containing advice in respect of the New Master Purchase Agreement and the New Master Sales Agreement; and (4) further details of the proposed amendments to the Articles of Association.

2. PROPOSED CONTINUING CONNECTED TRANSACTIONS

Set forth below are the principal terms of the New Master Purchase Agreement.

(1) New Master Purchase Agreement

Principal terms

Date of agreement:	26 November 2020
Parties:	(1) the Company (for itself and on behalf of its subsidiaries) as the purchaser; and (2) Tianye Group (for itself and on behalf of its subsidiaries) as the seller.
Subject:	Purchase of PVC resins.
Condition Precedent:	(i) Tianye Company Group's general meeting (where applicable) and the Board have passed and agreed by a resolution on the authorization to sign the New Master Purchase Agreement; and (ii) The Company has fulfilled and complied with the relevant requirements and provisions of the Listing Rules (including but not limited to obtaining its Independent Shareholders' approval) in respect of the transactions contemplated under the New Master Purchase Agreement.
Term:	With effect from 1 January 2021 to 31 December 2023.

LETTER FROM THE BOARD

Price: To be determined by reference to the price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out in the New Master Purchase Agreement by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As at the date of this circular, to the best of the knowledge of the Directors there is no government pricing policy in place which is applicable to PVC resins.

Payment terms: Details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Group Companies on terms mutually agreed in accordance with the terms and conditions of the New Master Purchase Agreement. It is generally expected that the payment shall be made in full before delivery.

As of Latest Practicable Date, condition precedent (i) of the New Master Purchase Agreement as set out above has been fulfilled.

Pricing basis

Pursuant to the purchase control procedure, the Company currently procures the purchase of PVC resins by reference to the prevailing market price by obtaining quotations from at least three suppliers at Shihezi or region near Shihezi, which includes Tianye Group Companies and at least two independent third party suppliers. The Company will normally choose the supplier with the most favourable quotation, in most cases, of the lowest price. The Company will record (1) the review process and (2) the result upon each purchase. Each purchase contract will be reviewed by the department head in charge and reassess by the purchase management department. The purchase contract will not be entered into without the approval of general manager and the chairman of the Company.

There is no standard market price for PVC resins, and market price varies by regions. In relation to the average market price of the PVC resins, the average purchase price under the 2018 Master Purchase Agreement was approximately RMB5,957/tons, RMB5,974/ton and RMB5,912/ton for the financial years 2018, 2019 and for the ten months ended 31 October 2020 respectively.

LETTER FROM THE BOARD

On 31 October 2020, the transactional values of the purchase amounted to approximately RMB6,250.

The directors agree to the assumption that the annual caps under the New Master Purchase Agreement for each of the three years ended 31 December 2023 is based on the estimated market demands and the market pricing trend of PVC resin.

The Directors believe that the above procurement process will ensure that the terms of the New Master Purchase Agreement are on normal commercial terms and in the ordinary course of business, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Historical caps and transaction amount

The following table summarizes the annual caps and the historical transaction amount of the 2018 Master Purchase Agreement for each of the two years ended 31 December 2019 and for the ten months ended 31 October 2020:

	As of 31 December 2018 (Audited historical transaction amount)	As of 31 December 2019 (Audited historical transaction amount) (RMB)	As of 31 October 2020 (Unaudited historical transaction amount)
Annual caps	250,000,000	250,000,000	250,000,000
Historical transaction amount	100,760,000	121,435,000	119,394,000

Annual caps and the basis of determination

After consideration of the above factors, the annual caps for each of the three years ending 31 December 2023 under the New Master Purchase Agreement are as follows:

	For the year ending 31 December 2021	2022 (RMB)	2023
Annual caps	250,000,000	250,000,000	250,000,000

LETTER FROM THE BOARD

The proposed annual caps have been determined by reference to (i) the estimated growing demand of the Group's customers for PVC pipelines and the expected trend of market price based on the supportive policies from the government and an expected increase in customer base of Tianye Group; (ii) the current annual production capacity of PVC pipelines of the Group as the Company has no plan to expand its production capacity for production of PVC pipelines from 2021 to 2023; (iii) the direct proportionality between the production of PVC pipelines and the demand for PVC resins, which means more PVC resins will be used when the production of PVC pipelines increases; (iv) the fact that all of the Group's PVC resins for the past three years were sourced from Tianye Group Companies; and (v) the value of transactions for the two years ended 31 December 2019 and for the ten months ended 31 October 2020.

According to the policy requirements issued by the PRC government, such as the Strategic Plan for Rural Revitalization (2018–2022) (《鄉村振興戰略規劃(2018–2022)》) (http://www.gov.cn/zhengce/2018-09/26/content_5325534.htm), the Opinions on Effectively Strengthening the Construction of High-standard Farmland to Enhance the Capacity of Protecting National Food Security (《關於切實加強高標準農田建設提升國家糧食安全保障能力的意見》) (http://www.gov.cn/zhengce/content/2019-11/21/content_5454205.htm), and the Circular on Issuing the Task of farmland construction in 2021 (《關於下達2021年農田建設任務的通知》) (https://www.sohu.com/a/439160969_692015), the PRC government will vigorously develop and implement high-standard farmland construction projects. The above policies propose that in addition to the construction of high-standard farmland of 100 million mu and the development of high-efficiency water-saving irrigation farmland of 15 million mu across the country in 2021, the PRC government will increase government bonds to support the construction of high-standard farmland, and guarantee the funding needs for the construction of high-standard farmland in 2021 through such models as construction first and then subsidy, reward for subsidy, and government-social capital cooperation. Based on the above flavouring policies of the PRC government, the Directors (excluding independent non-executive Directors) estimate that the demand from the customers of the Group for PVC pipelines will increase.

LETTER FROM THE BOARD

Set forth below are the principal terms of the New Sales Purchase Agreement.

(2) New Master Sales Agreement

Principal terms

- Date of agreement: 26 November 2020
- Parties: (1) Tianye Group (for itself and on behalf of its subsidiaries) as the purchaser; and
(2) the Company (for itself and on behalf of its subsidiaries) as the seller.
- Subject: Sale of PVC/PE pipelines, drip tapes and drip assemblies.
- Condition Precedent: (i) Tianye Company Group's general meeting (where applicable) and the Board have passed and agreed by a resolution on the authorization to sign the New Master Sales Agreement; and
(ii) The Company has fulfilled and complied with the relevant requirements and provisions of the Listing Rules (including but not limited to obtaining its Independent Shareholders' approval) in respect of the transactions contemplated under the New Master Sales Agreement.
- Term: With effect from 1 January 2021 to 31 December 2023.
- Price: To be determined by reference to the market price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out in the New Master Sales Agreement by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As at the date of this circular, to the best of the knowledge of the Directors there is no government pricing policy in place which is applicable to PVC/PE pipelines, drip tapes and drip assemblies.

LETTER FROM THE BOARD

Payment terms: Details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Group Companies on terms mutually agreed in accordance with the terms and conditions of the New Master Sales Agreement. It is generally expected that the payment shall be made in full before delivery.

As of Latest Practicable Date, condition precedent (i) of the New Master Sales Agreement as set out above has been fulfilled.

Pricing basis

Based on the current price fluctuation of raw materials in the market and with reference to the product costs, the Group set the sales prices of the Company's products by comparing with the seasonal sales prices of its peers in the market. In determining the selling price for each product, a standard price list will be jointly determined by finance department, sales department and management of the Group at a price evaluation meeting held on a monthly basis, with reference to the prevailing market prices of similar products and cost of raw materials. The price list provides a pricing standard which is applicable to all sales transactions including those with Tianye Group Companies.

In relation to the average market price of the PVC pipelines, the average sale price under the 2018 Master Sales Agreement was approximately RMB7,200/ton, RMB7,300/ton and RMB7,200/ton for the financial years 2018, 2019 and for the ten months ended 31 October 2020.

In relation to the average market price of the PE pipelines, the average sale price under the 2018 Master Sales Agreement was approximately RMB11,000/ton, RMB12,000/ton and RMB11,500/ton for the financial years 2018, 2019 and for the ten months ended 31 October 2020.

In relation to the average market price of the drip tapes, the average sale price under the 2018 Master Sales Agreement was approximately RMB0.125/metre, RMB0.125/metre and RMB0.125/metre for the financial years 2018, 2019 and for the ten months ended 31 October 2020.

Based on quotation obtained by the Group from the independent third parties, the current market prices of PVC pipelines, PE pipelines, and drip tapes amount to approximately RMB6,900/ton, RMB11,000/ton, and RMB0.1/meter.

As at 31 October 2020, the transactional values of the sales amounted to approximately RMB5,426,000.

LETTER FROM THE BOARD

The directors agree to the assumption that the annual caps under the New Master Sales Agreement for each of the three years ended 31 December 2023 is based on the estimated market demands and the market pricing trend of PVC/PE pipelines and drip tapes.

The Directors believe that the above sales process will ensure that the terms of the New Master Sales Agreement are on normal commercial terms and in the ordinary course of business, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Historical caps and transaction amount

The following table summarizes the annual caps and the historical transaction amount under the 2018 Master Sales Agreement for the two years ended 31 December 2019 and for the ten months ended 31 October 2020:

	As of 31 December 2018 (Audited historical transaction amount)	As of 31 December 2019 (Audited historical transaction amount) (RMB)	As of 31 October 2020 (Unaudited historical transaction amount)
Annual caps	18,000,000	18,000,000	18,000,000
Historical transaction amount	13,862,000	6,530,000	5,426,000

Annual caps and the basis of determination

After consideration of the above factors, the annual caps for each of the three years ending 31 December 2023 under the New Master Sales Agreement are as follows:

	For the year ending 31 December 2021	2022 (RMB)	2023
Annual caps	30,000,000	30,000,000	30,000,000

The proposed annual caps have been determined by reference to (i) the value of transactions for the two years ended 31 December 2019 and for the ten months ended 31 October 2020; (ii) the estimated growth in the demand of Tianye Group Companies and its customers; (iii) the increase in customers base of Tianye Group Companies; and (iv) the estimated growth in the demand of Tianye Group

LETTER FROM THE BOARD

Companies after Xinjiang Western Agricultural Material Logistics Co., Ltd., one of the Group's major customers who was an independent third party became a subsidiary of Tianye Group in December 2019.

In April 2018, Eighth Division Shihezi Oasis Transportation Investment Co., Ltd. (八師石河子綠洲交通投資有限公司) was transferred to Tianye Group by the Eighth Division SASAC at nil consideration, and became a wholly-owned subsidiary of Tianye Group and hence a connected person of the Company. In December 2019, Xinjiang Western Agricultural Material Logistics Co., Ltd. (新疆西部農資物流有限公司) was transferred to Tianye Group by the Eighth Division SASAC at nil consideration, and became a wholly-owned subsidiary of Tianye Group and hence a connected person of the Company. Eighth Division Shihezi Oasis Transportation Investment Co., Ltd. was a material supplier for the infrastructure of Tianye Group's 600,000-tonne ethylene glycol new project, while all of the PVC large diameter pipelines required will be purchased from the Company, as such it is expected that consideration amount of connected transactions will be taken place. The Group enters into an agency sales agreement with Xinjiang Western Agricultural Material Logistics Co., Ltd. on an annual basis, pursuant to which, Xinjiang Western Agricultural Material Logistics Co., Ltd. will purchase drip tapes and other products from the Group for external sales, which will generate sales of approximately RMB5 million to RMB8 million per year. According to the mixed reform and operation of Shihezi Tiancheng Water Saving Device Co., Ltd, a subsidiary of the Company, the Group will enhance cooperation with Xinjiang Western Agricultural Material Logistics Co., Ltd. and the amount of connected transactions is expected to increase year by year.

The following table summarizes the historical transaction amount between the Group and Eighth Division Shihezi Oasis Transportation Investment Co., Ltd. for each of the two years ended 31 December 2019 and for the ten months ended 31 October 2020:

	As of 31 December 2018 (Audited historical Transaction amount)	As of 31 December 2019 (Audited historical transaction amount) (RMB)	As of 31 October 2020 (Unaudited historical transaction amount)
Historical transaction amount	19,405,584	431,159	3,302,944

LETTER FROM THE BOARD

The following table summarizes the historical transaction amount between the Group and Xinjiang Western Agricultural Material Logistics Co., Ltd. for the year ended 31 December 2019 and for the ten months ended 31 October 2020:

	As of 31 December 2019 (Audited historical transaction amount) (RMB)	As of 31 October 2020 (Unaudited historical transaction amount)
Historical transaction amount	7,800,000	3,300,000

In addition, the 600,000-tonne of ethylene glycol project under construction by Tianye Group requires a large number of PVC pipelines and drip tapes for water supply and drainage. The Group has previously made sales of products of approximately RMB30 million to Eighth Division Shihezi Oasis Transportation Investment Co., Ltd. for infrastructure construction in the early stage, and it is expected that a large number of pipelines will continue to be provided for the construction of new projects, and designated personnel will be sent to carry out technical maintenance, which will generate technical service income.

Taking into account the above factors (including, but not limited to the historical transaction amount, and the expected construction projects and demand growth), the Directors (excluding the independent non-executive Directors) consider that the annual caps of the New Master Sales Agreement for each of the three years ended 31 December 2023 are fair and reasonable.

REASONS AND BENEFITS FOR THE PROPOSED CONTINUING CONNECTED TRANSACTIONS

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

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

LETTER FROM THE BOARD

The Group supplies the drip tapes, PVC/PE pipelines and drip assemblies to Tianye Group Companies and its customers, which will increase the Group's source of revenue. The Directors consider that it is in the interest of the Group to enter into the New Master Sales Agreement as sales to Tianye Group Companies will increase the volume of sales on the Group's products and the profit of the Group.

The Directors (excluding the independent non-executive Directors) consider that (i) the annual caps and the terms of the New Master Purchase Agreement are on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole; and (ii) the annual caps and the terms of the New Master Sales Agreement are on normal commercial terms and in the ordinary and usual course of business, and are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION RELATING TO THE COMPANY AND TIANYE COMPANY

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale of drip 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 Company is principally engaged in the production and sale of plastic and chemical products; vehicles transportation; sale of machinery facilities (other than small vehicles and those products required special approval from the government of the PRC), construction material, hardware and electric apparatus, steel productions, grain and cotton, textiles products, vehicle accessories, livestock products and dried and fresh fruits; agricultural cultivation, livestock feeding and exploitation of cultivated land and water for agricultural use; production and sales of tomato paste; recycling, processing and sales of used plastic; import and export of goods and technologies; and processing of agricultural by-products.

LISTING RULES IMPLICATIONS

As at the date of this circular, Tianye Group is a controlling shareholder of the Company holding approximately 60.42% of the issued share capital of the Company in total, and Tianye Group is therefore a connected person of the Company. In the circumstances, Tianye Group is a connected person of the Company and the transactions under both the New Master Purchase Agreement and the New Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the New Master Sales Agreement and the New Master Purchase Agreement respectively are more than 5%, the transactions contemplated under the New Master Sales Agreement and the New Master Purchase Agreement respectively, together with the proposed annual caps thereunder, are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Chen Lin, the executive director the Company, had abstained from voting at the Board meeting approving the New Master Purchase Agreement and the New Master Sales Agreement, as he has a material interest therein as a member of the party committee of Tianye Group. Save as disclosed above, none of the directors has a material interest in the New Master Purchase Agreement and/or the New Master Sales Agreement.

In light of the interest held by Tianye Group in the New Master Purchase Agreement and the New Master Sales Agreement, Tianye Company and its associates (which holds 313,886,921 Domestic Shares as at the Latest Practicable Date, representing approximately 60.42% of the total number of the Shares in issue) will abstain from voting on the ordinary resolution at the EGM in respect of the New Master Purchase Agreement and the New Master Sales Agreement and their transactions contemplated thereunder.

An Independent Board Committee (comprising all independent non-executive Directors) has been appointed to advise the Independent Shareholders as to whether the terms of the New Master Sales Agreement and the New Master Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, and whether the transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to approve the special resolution in relation to the amendments to the Articles of Association and authorize the Board to handle the relevant filing and amendment (if necessary) procedures and other related matters arising from the amendments to Articles of Association on behalf of the Company.

LETTER FROM THE BOARD

Set forth below are the proposed amendments to the Articles of Association:

Existing Article 3.06 of the Articles of Association:

When established, the Company issued 317,121,560 shares to the sponsors. Approved by the Examination and Approval Departments which are authorized by the state council, the Company may issue no more than 242.65 million ordinary shares (including excess allotment 31.65 million shares), accounting for about 43% of the total ordinary shares which the Company may issue.

Before the establishment in Hong Kong, the capital structure of the Company is: total number of ordinary shares is 317,121,560. Xinjiang Tianye Co., Ltd. holds 202,164,995 shares, accounting for 63.75% of the total shares which the Company may issue. Shenzhen Litailai Invest Development, Co., Ltd. holds 93,994,831 shares, accounting for 29.64% of the total shares which the Company may issue. Guo Shuqing holds 9,386,798 shares, accounting for 2.96% of the total shares which the Company may issue. Wang Xiaoxian holds 8,340,297 shares, accounting for 2.63% of the total shares which the Company may issue. Institute of Mechanical Science Research holds 2,410,123 shares, accounting for 0.76% of the total shares which the Company may issue. Northwest A&F University holds 824,516 shares, accounting for 0.26% of the total shares which the Company may issue.

After the establishment in Hong Kong, the capital structure of the Company is: total number of ordinary shares is 519,521,560; Xinjiang Tianye Co., Ltd. holds 202,164,995 shares, accounting for 38.91% of the total shares which the Company may issue. Shenzhen Litailai Invest Development, Co., Ltd. holds 93,994,831 shares, accounting for 18.09% of the total shares which the Company may issue. Guo Shuqing holds 9,386,798 shares, accounting for 1.81% of the total shares which the Company may issue. Wang Xiaoxian holds 8,340,297 shares, accounting for 1.61% of the total shares which the Company may issue. Institute of Mechanical Science Research holds 2,410,123 shares, accounting for 0.46% of the total shares which the Company may issue. Northwest A&F University holds 824,516 shares, accounting for 0.16% of the total shares which the Company may issue. The shareholders of “H shares” (Shareholders of foreign investment shares listed outside the People’s Republic of China) hold 202,400,000 shares, accounting for 38.96% of the total shares which the Company may issue.

On 3 March 2008, Shenzhen City Li Tai Lai Investment Development Company Limited transferred its 52,000,000 domestic shares to Guo Shu Qing and its 41,994,831 domestic shares to Wang Xiao Xian. After the transfers, the shareholding structure of the Company shall be: 519,521,560 ordinary shares, of which 202,164,995 shares held by Xinjiang Tianye Company Limited, representing 38.91% of the total issued shares capital of the Company; 61,386,798 shares held by Guo Shu Qing, representing 11.82% of the total issued shares capital of the Company; 50,335,128 shares held by Wang Xiao Xian, representing 9.69% of the total issued shares capital of the Company; 2,410,123 shares held by China Academy of Machinery Science and Technology, representing 0.46% of the total issued shares capital of the Company; 824,516 shares held by Northwest Sci-Tech

LETTER FROM THE BOARD

University of Agriculture and Forestry, representing 0.16% of the total issued shares capital of the Company; and 202,400,000 shares held by the shareholders of H Shares, representing 38.96% of the total issued shares capital of the Company.

On 21 April 2011, Guo Shu Qing (郭書清) and Wang Xiao Xian (王孝先), the promoters, transferred all of their respective 61,386,798 shares and 50,335,128 shares to Xinjiang Tianye (Group) Limited (新疆天業(集團)有限公司). Upon the transfer, the share capital structure of the Company consists of a total of 519,521,560 ordinary shares, of which, 202,164,995 shares is held by Xinjiang Tianye Company Limited (新疆天業股份有限公司), representing 38.91% of the total share capital of the Company; 111,721,926 shares is held by Xinjiang Tianye (Group) Limited, representing 21.51% of the total share capital of the Company; 2,410,123 shares is held by China Academy of Machinery Science and Technology (機械科學研究總院), representing 0.46% of the total share capital of the Company; 824,516 shares is held by Northwest Sci-Tech University of Agriculture and Forestry (西北農林科技大學), representing 0.16% of the total share capital of the Company; 202,400,000 shares is held by shareholders of H Shares (overseas listing foreign shares), representing 38.96% of the total share capital of the Company.

Amended Article 3.06 of the Articles of Association:

When established, the Company issued 317,121,560 shares to the sponsors. Approved by the Examination and Approval Departments which are authorized by the state council, the Company may issue no more than 242.65 million ordinary shares (including excess allotment 31.65 million shares), accounting for about 43% of the total ordinary shares which the Company may issue.

Before the establishment in Hong Kong, the capital structure of the Company is: total number of ordinary shares is 317,121,560. Xinjiang Tianye Co., Ltd. holds 202,164,995 shares, accounting for 63.75% of the total shares which the Company may issue. Shenzhen Litailai Invest Development, Co., Ltd. holds 93,994,831 shares, accounting for 29.64% of the total shares which the Company may issue. Guo Shuqing holds 9,386,798 shares, accounting for 2.96% of the total shares which the Company may issue. Wang Xiaoxian holds 8,340,297 shares, accounting for 2.63% of the total shares which the Company may issue. Institute of Mechanical Science Research holds 2,410,123 shares, accounting for 0.76% of the total shares which the Company may issue. Northwest A&F University holds 824,516 shares, accounting for 0.26% of the total shares which the Company may issue.

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LETTER FROM THE BOARD

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On 3 March 2008, Shenzhen City Li Tai Lai Investment Development Company Limited transferred its 52,000,000 domestic shares to Guo Shu Qing and its 41,994,831 domestic shares to Wang Xiao Xian. After the transfers, the shareholding structure of the Company shall be: 519,521,560 ordinary shares, of which 202,164,995 shares held by Xinjiang Tianye Company Limited, representing 38.91% of the total issued shares capital of the Company; 61,386,798 shares held by Guo Shu Qing, representing 11.82% of the total issued shares capital of the Company; 50,335,128 shares held by Wang Xiao Xian, representing 9.69% of the total issued shares capital of the Company; 2,410,123 shares held by China Academy of Machinery Science and Technology, representing 0.46% of the total issued shares capital of the Company; 824,516 shares held by Northwest Sci-Tech University of Agriculture and Forestry, representing 0.16% of the total issued shares capital of the Company; and 202,400,000 shares held by the shareholders of H Shares, representing 38.96% of the total issued shares capital of the Company.

On 21 April 2011, Guo Shu Qing (郭書清) and Wang Xiao Xian (王孝先), the promoters, transferred all of their respective 61,386,798 shares and 50,335,128 shares to Xinjiang Tianye (Group) Limited (新疆天業(集團)有限公司). Upon the transfer, the share capital structure of the Company consists of a total of 519,521,560 ordinary shares, of which, 202,164,995 shares is held by Xinjiang Tianye Company Limited (新疆天業股份有限公司), representing 38.91% of the total share capital of the Company; 111,721,926 shares is held by Xinjiang Tianye (Group) Limited, representing 21.51% of the total share capital of the Company; 2,410,123 shares is held by China Academy of Machinery Science and Technology (機械科學研究總院), representing 0.46% of the total share capital of the Company; 824,516 shares is held by Northwest Sci-Tech University of Agriculture and Forestry (西北農林科技大學), representing 0.16% of the total share capital of the Company; 202,400,000 shares is held by shareholders of H Shares (overseas listing foreign shares), representing 38.96% of the total share capital of the Company.

On 30 November 2020, Northwest Sci-Tech University of Agriculture and Forestry (西北農林科技大學), the promoter, transferred its 824,516 shares to Shihezi State-owned Assets Management (Group) Co., Ltd. (石河子國有資產經營(集團)有限公司). Upon the transfer, the share capital structure of the Company consists of a total of 519,521,560 ordinary shares, of which, 202,164,995 shares is held by Xinjiang Tianye Company Limited (新疆天業股份有限公司), representing 38.91% of the total share capital of the Company; 111,721,926 shares is held by Xinjiang Tianye (Group) Limited, representing 21.51% of the total share capital of the Company; 2,410,123 shares is held by China Academy of Machinery Science and Technology (機械科學研究總院), representing 0.46% of the total share capital of the Company; 824,516 shares is held by Shihezi State-owned Assets Management (Group) Co., Ltd. (石河子國有資產經營(集團)有限公司), representing 0.16% of the total share capital of the Company; 202,400,000 shares is held by shareholders of H Shares (overseas listing foreign shares), representing 38.96% of the total share capital of the Company.

LETTER FROM THE BOARD

Existing Article 6.08 of the Articles of Association:

No amendment of registration which is led by the stock transfer could be done on the register of shareholders within 20 days before the general meeting of stockholders or 5 days before the base day when the company deciding the liquidating dividend.

Amended Article 6.08 of the Articles of Association:

If there is any provision in PRC laws and regulations and the Listing Rules on the period of closure of the register of shareholders prior to a shareholders' general meeting or prior to the record date set by the Company for the purpose of distribution of dividends, such provision shall prevail.

Please see the underlined section for details of amendment.

4. EGM

The EGM will be held on Thursday, 18 February 2021 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 53 to 56 of this circular.

A form of proxy for use at the EGM will be despatched on Thursday, 14 January 2021, 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 Wednesday, 17 February 2021) 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.

5. 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.

LETTER FROM THE BOARD

6. CLOSURE OF REGISTER OF MEMBERS

For the purpose of the EGM, the register of the members of the Company will be closed from Friday, 29 January 2021 to Thursday, 18 February 2021 (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 Thursday, 28 January 2021.

7. ADDITIONAL INFORMATION

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

8. RECOMMENDATION

The Company has appointed INCU Corporate Finance Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Purchase Agreement and the New Master Sales 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 24 to 46 of this circular.

The Directors consider that all the proposed resolutions 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 all the resolutions 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*
Chen Lin
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 January 2021

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF THE EXISTING CONTINUING CONNECTED
TRANSACTIONS:**

- (1) NEW MASTER PURCHASE AGREEMENT; AND
(2) NEW MASTER SALES AGREEMENT;**

We have been appointed as members of the Independent Board Committee to give our advice on the New Master Purchase Agreement and the New Master Sales 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 January 2021 (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.

INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the New Master Purchase Agreement and the New Master Sales Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 24 to 46 of the Circular.

Having considered the terms and conditions of the New Master Purchase Agreement and the New Master Sales 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 New Master Purchase Agreement and the New Master Sales Agreement and the transactions contemplated thereunder are within the ordinary and usual course of business of the Company and are on normal commercial terms. The New Master Purchase Agreement and the New Master Sales Agreement are in the interests of the Company and the Shareholders taken as a whole, and the terms and

* *For identification purpose only*

LETTER FROM INDEPENDENT BOARD COMMITTEE

conditions of the New Master Purchase Agreement and the New Master Sales 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 New Master Purchase Agreement and the New Master Sales Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Yin Feihu

*Independent
non-executive
Director*

Mr. Qin Ming

*Independent
non-executive
Director*

Ms. Gu Li

*Independent
non-executive
Director*

Mr. Hung Ee Tek

*Independent
non-executive
Director*

LETTER FROM INCU

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the continuing connected transactions contemplated thereunder.



INCUB Corporate Finance Limited
Unit 1604A, Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

14 January 2021

*To the Independent Board Committee
and the Independent Shareholders of
Xinjiang Tianye Water Saving Irrigation System Company Limited*

Dear Sir or Madam,

RENEWAL OF THE EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed renewal of continuing connected transactions contemplated under the New Master Purchase Agreement and the New Master Sales Agreement (the “**Proposed Continuing Connected Transactions**”) with their related proposed annual caps. Details of the which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 14 January 2021 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 26 November 2020 whereby the Board announced that the Company has entered into the New Master Purchase Agreement and the New Master Sales Agreement with Tianye Group in respect of the purchase of PVC resins and sales of PVC/PE pipelines, drip tape and drip assemblies on 26 November 2020.

LETTER FROM INCU

As at the Latest Practicable Date, Tianye Group is a controlling shareholder of the Company holding approximately 60.42% of the issued share capital of the Company in total, and Tianye Group is therefore a connected person of the Company as defined under the Listing Rules. The transactions under both the New Master Purchase Agreement and the New Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios as set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the New Master Purchase Agreement and the New Master Sales Agreement respectively are more than 5% and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the New Master Purchase Agreement and the New Master Sales Agreement respectively, together with the proposed annual caps, are subject to reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, and save as disclosed in the Circular, apart from Tianye Company, Tianye Group and its associates, no other shareholders will be required to abstain from voting at the EGM and the vote to be taken at the EGM with respect of the New Master Purchase Agreement and the New Master Sales Agreement shall be conducted by poll.

As the executive Director of the Company, Mr. Chen Lin, a member of the party committee of Tianye Group, has a material interest, he has abstained from voting at the board meeting to approve the New Master Sales Agreement and the New Master Purchase Agreement. Save as disclosed above, none of the Directors has a material interest in the New Master Purchase Agreement and/or New Master Sales Agreement.

THE INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Yin Feihu, Mr. Qin Ming, Ms. Gu Li and Mr. Hung Ee Tek, has been established to advise and provide recommendation to the Independent Shareholders in relation to fairness and reasonableness of the Proposed Continuing Connected Transactions and the proposed annual caps under the New Master Purchase Agreement and the New Master Sales Agreement and the transactions contemplated thereunder.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the New Master Purchase Agreement and the New Master Sales Agreement were entered into in the ordinary and usual course of business of the Group and on normal commercial terms, the terms are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps are fair and reasonable.

LETTER FROM INCU

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transactions and the proposed annual caps. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Proposed Continuing Connected Transactions and the proposed annual caps, and accordingly, are eligible to give independent advice and recommendations on the terms of the New Master Purchase Agreement and the New Master Sales Agreement and the proposed annual caps. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the New Master Purchase Agreement and the New Master Sales Agreement and the Proposed Continuing Connected Transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. 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 and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the continuing connected transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Proposed Continuing Connected Transactions, together with the proposed annual caps, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of and reasons for the Proposed Continuing Connected Transactions

(a) Information of the Group

The Group is principally engaged in the design, manufacture and sales of drip tapes, polyvinyl chloride (PVC)/poly ethylene (PE) pipelines and drip assemblies used in agricultural water saving irrigation system, as well as 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.

As set out in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), the Group recorded a total revenue of approximately RMB624.3 million for the year ended 31 December 2019, representing an approximately 16.4% increase from that of approximately RMB536.2 million for the year ended 31 December 2018. As stated in the 2019 Annual Report, the increase in total revenue was mainly due to the increase in the sales and selling price of products of the Group in 2019 alongside with the increase in sales volume of drip tape, drip assemblies and PVC/PE pipelines.

(b) Information of Tianye Group Companies

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

(c) Reasons for the Proposed Continuing Connected Transactions

New Master Purchase Agreement

As disclosed in the Letter from the Board, given the fact that the factory of Tianye Group Companies is located nearby, the Group can lower the transportation costs if it purchases PVC resins from Tianye Group Companies. Furthermore, in the event of shortage of PVC resins in the market, Tianye Group Companies agrees to give priority to the Group to purchase the PVC resins from them at the market price. In the circumstances, the Directors believe that the Group will maintain its competitiveness in the market with lower purchasing costs and stable supply of PVC resins. On the other hand, the Group shall not be obliged to purchase the PVC resins if the Group is provided with a more favourable price for PVC resins with similar quality by the independent third parties.

In assessing whether the entering into of the New Master Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have considered the following:

- (i) Tianye Group Companies has been one of the market leaders in the PRC's PVC industry. According to the "Analysis of the development status of China's PVC industry in 2020*" (2020年中國PVC行業發展現狀分析 <https://bg.qianzhan.com/report/detail/300/200629-0c3b1b87.html#:~:text=%E5%90%8C%E6%AF%94%E5%A2%9E%E2%BB%934.7%25%E3%80%82->) published by Prospective Industry Research Institute* (前瞻產業研究院), Tianye Group Companies is the second largest supplier with a production capacity of PVC resins of over 1,400,000 tons in 2019 in PRC. Tianye Group Companies is also on the list of "Top 500 Chinese Enterprises Ranking in 2019*" (2019 中國企業 500強排行榜 http://finance.sina.com.cn/zt_d/2019_zq500qbd/) published by China Enterprise Confederation and China Enterprise Directors Association (中國企業聯合會及中國企業家協會) and "Top 500 Petrochemical and Chemical Enterprises in China 2019*" (2019 中國石油和化工企業 500 強排行榜 <https://kknews.cc/finance/jl9e8b6.html>) published by China Chemical Enterprise Management Association (中國化工企業管理協會). We are advised by the management of the Group that, approximately 1.30 million tons, 1.28 million tons, and 0.68 million tons of PVC resins were produced by Tianye Group Companies for the two years ended 31 December 2019, and the ten months ended 31 October 2020 respectively. Tianye Group Companies has been supplying PVC resins to the Group since 2006. The market leadership of Tianye Group Companies and the long-term

* For identification purpose only

LETTER FROM INCU

business relationship with Tianye Group Companies demonstrate that it is able to provide reliable supply of PVC resins for the production of PVC pipelines of the Group;

- (ii) The Group will benefit from time and cost advantages that its geographical location brings. Since both Tianye Group Companies and the Group are located in Xinjiang, the Group can have its supply with shorter delivery time and at a lower transportation cost;
- (iii) The Group will also benefit from a stable supply of PVC resins as raw materials to support its business production, as Tianye Group Companies offers priority to the Group on purchasing PVC resins; and
- (iv) The Group will also enjoy flexibility on the PVC resins purchase, as the Group is not obliged to purchase PVC resins from Tianye Group Companies exclusively. Thus, the Group can choose purchase from other independent suppliers with a better offer.

New Master Sales Agreement

As disclosed in the Letter from the Board, the Group supplies the drip tapes, PVC/PE pipelines and drip assemblies to Tianye Group Companies and its customers, which will increase the Group's source of revenue.

In assessing whether the entering into of the New Master Sales Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, we have considered the following:

- (i) Sales of PVC/PE pipelines, drip tape and drip assemblies (the "**Products**") are the Group's ordinary course of business, which contributed approximately 84.4% of the total revenue of the Group for the year ended 31 December 2019, as disclosed in the 2019 Annual Report;
- (ii) The sales of the Products to Tianye Group Companies at market price will render stable revenue to the Group on normal commercial terms; and
- (iii) The Group will have flexibility on the sale of the Products as the Group is not obliged to sell to Tianye Group Companies if the Group has better offer.

LETTER FROM INCU

Having considered the above reasons, we concur with the Directors' views that the entering into of the New Master Purchase Agreement and the New Master Sales Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Continuing Connected Transactions

2.1 Principal terms of the New Master Purchase Agreement

Key terms of the New Master Purchase Agreement are as follows:

Date of agreement	:	26 November 2020
Parties	:	(1) the Company (for itself and on behalf of its subsidiaries) as the purchaser; and (2) Tianye Group (for itself and on behalf of its subsidiaries) as the seller.
Subject	:	Purchase of PVC resins.
Condition Precedent	:	(i) Tianye Company Group's general meeting (where applicable) and the Board have passed and agreed by a resolution on the authorization to sign the New Master Purchase Agreement; and (ii) The Company has fulfilled and complied with the relevant requirements and provisions of the Listing Rules (including but not limited to obtaining its Independent Shareholders' approval) in respect of the transactions contemplated under the New Master Purchase Agreement.
Term	:	With effect from 1 January 2021 up to 31 December 2023.

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Price : To be determined by reference to the price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out in the New Master Purchase Agreement by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As at the date of this circular, to the best of the knowledge of the Directors there is no government pricing policy in place which is applicable to PVC resins.

Payment Terms : Details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Group Companies on terms mutually agreed in accordance with the terms and conditions of the New Master Purchase Agreement. It is generally expected that the payment shall be made in full before delivery.

As of Latest Practicable Date, condition precedent (i) of the New Master Purchase Agreement as set out above has been fulfilled.

Pricing policy

We have reviewed and compared the terms of the New Master Purchase Agreement and the 2018 Master Purchase Agreement and noted that there has been no material change between the terms of the two aforesaid agreements.

As advised by the management of the Group, as at the Latest Practicable Date, there is no current government pricing policy which is applicable to PVC resins. Accordingly, the Company made reference to the market price as price standard for purchase of PVC resins.

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Purchase Control Procedure

We have discussed with the management of the Group, it has established a set of purchase control procedures in selecting suppliers pursuant to which the Company will obtain the quotations from at least three suppliers at Shihezi or region near Shihezi, (including Tianye Group Companies) and will select the one offering the most favorable terms, including but not limited to the price. Each purchase order is subject to review by the department head in charge and reassessment by the purchase management department. The general manager and the chairman of the Group is responsible for final review and approval.

Our Assessment

We have enquired the management of the Group and were given the understanding that the Group will bear the transportation cost for procurement of the raw materials, hence, apart from the material cost, transportation cost (including time cost) is also the major cost for the Group. The Group will compare the quotations from at least three suppliers including independent suppliers and Tianye Group Companies and select the best one. As Tianye Group Companies offered the lowest total cost among the quotations obtained by the Group for the two years ended 31 December 2019 and the ten months ended 31 October 2020, all PVC resins were purchased from Tianye Group Companies.

For our due diligence purpose, we have (i) obtained and reviewed the purchase control policy and procedures of the Group; (ii) obtained and reviewed a full procurement list for the two years ended 31 December 2019 and the ten months ended 31 October 2020; (iii) reviewed and compared sample copies of the quotations obtained by the Group from Tianye Group Companies and other independent third parties; and (iv) reviewed sample copies of historical purchase records between the Group and Tianye Group Companies. In reviewing the historical purchase records, we have selected samples based on the materiality of the transaction amount. The samples under review represented top 5 purchases of PVC resins (in terms of transaction amount) in each of the two years ended 31 December 2019 and the ten months ended 31 October 2020 and we are of the view that the selection basis and sample copies reviewed are fair and representative in view of materiality.

From our sample review, we noted that (i) the purchase was made in compliance with the internal control policy of the Group for each transaction; (ii) the cost per ton paid for purchase is the lowest cost among the suppliers for each purchase for the two years ended 31 December 2019 and the ten months ended 31 October 2020; and (iii) other major terms offered by Tianye Group Companies including payment terms and delivery are similar with those offered by other independent suppliers.

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In addition, pursuant to the New Master Purchase Agreement, Tianye Group Companies guarantees that it will give priority to the Group on purchasing PVC resins, under the same contract terms. The Group also enjoys flexibility on purchase of PVC resins, as the Group is not obliged to purchase PVC resins from Tianye Group Companies exclusively and the Group is free to purchase from other independent third parties for a better offer. We are of the view that the aforesaid arrangements allow the Group to enjoy the flexibility in purchasing PVC resins and secure a stable supply to maintain its competitiveness in the market.

Having considered that (i) the purchase from Tianye Group Companies are priced at market price at Shihezi or in the region near Shihezi; (ii) other major terms of the New Master Purchase Agreement, including payment terms and delivery are comparable to and no less favourable than that offered by other independent suppliers; and (iii) the flexibility in purchasing PVC resins and securing stable supply to maintain its competitiveness in the market, we are of the view that the terms of the New Master Purchase Agreement are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Company, are in the interests of the Company and its Independent Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

2.2 Principal terms of the New Master Sales Agreement

Key terms of the New Master Sales Agreement are as follows:

Date of agreement	:	26 November 2020
Parties	:	(1) Tianye Group (for itself and on behalf of its subsidiaries) as the purchaser; and (2) The Company (for itself and on behalf of its subsidiaries) as the seller.
Subject	:	Sale of PVC/PE pipelines, drip tapes and drip assemblies.
Condition Precedent	:	(i) Tianye Company Group's general meeting (where applicable) and the Board have passed and agreed by a resolution on the authorization to sign the New Master Sales Agreement; and

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(ii) The Company has fulfilled and complied with the relevant requirements and provisions of the Listing Rules (including but not limited to obtaining its Independent Shareholders' approval) in respect of the transactions contemplated under the New Master Sales Agreement.

Term : With effect from 1 January 2021 to 31 December 2023.

Price : To be determined by reference to the market price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out in the New Master Sales Agreement by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As at the date of this circular, to the best of the knowledge of the Directors there is no government pricing policy in place which is applicable to PVC/PE pipelines, drip tapes and drip assemblies.

Payment Terms : Details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Group Companies on terms mutually agreed in accordance with the terms and conditions of the New Master Sales Agreement. It is generally expected that the payment shall be made in full before delivery.

As of Latest Practicable Date, condition precedent (i) of the New Master Sales Agreement as set out above has been fulfilled.

Pricing Policy

We have reviewed and compared the terms of the New Master Sales Agreement and the 2018 Master Sales Agreement and noted that, save for the revision of annual caps, there has been no material change between the major terms of the two aforesaid agreements.

As advised by the management of the Group, there was no fixed price on the Products promulgated by the PRC government as at the Latest Practicable Date. Accordingly, the Company and Tianye Group Companies adopted the market price as the pricing standard. The Group sets the selling prices of Products with reference to the raw material costs and the selling prices offered by peers in the market.

We have discussed with the management of the Group and were given the understanding that a standard price list will be jointly determined by finance department, sales department and management of the Group at a price evaluation meeting held on a monthly basis, with reference to the prevailing market prices of similar products and cost of raw materials. The price list provides a pricing standard which is applicable to all sales transactions including those to Tianye Group Companies.

Sales Control Procedure

We have enquired with the management of the Group, the Group has established a set of sale control procedures. Given that the selling price for each product is determined in the monthly meeting, selling price offered by the Group to independent third parties and Tianye Group Companies is referred to the monthly standard price list. The head of sales department is responsible for reviewing and approving the sales contracts. The senior management of the Group is responsible for final review and approval.

Our Assessment

As mentioned above, the selling price determined and reviewed on a monthly basis applies to all customers of the Group. The Directors also confirmed that the price charged by the Company to Tianye Group Companies is comparable and no less favourable than the market prices of similar products that the Company sold to other independent customers.

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For our due diligence purpose, we have (i) obtained and reviewed the sales control policy and procedures of the Group; (ii) obtained and reviewed a full sale transaction list for the two years ended 31 December 2019 and the ten months ended 31 October 2020; (iii) reviewed and compared sample copies of historical transaction records, including sales contracts and/or sales invoices, in respective of the sales made by the Group to other independent third parties and Tianye Group Companies; and (iv) obtained and reviewed sample copies of monthly standard price list. We have selected samples based on the materiality of the transaction amount in reviewing the historical transaction records and the corresponding monthly standard price list of that particular month in respective of the sales made by the Company to other independent third parties and Tianye Group Companies. The samples under review represented top 5 sales transactions (in terms of transaction amount) in each of the two years ended 31 December 2019 and the ten months ended 31 October 2020 and we are of the view that the selection basis and sample copies reviewed are fair and representative in view of materiality.

From our sample review, we noted that (i) the sales transactions are made in compliance with the sales control procedures, including the approval procedures, of the Group; (ii) the selling price of the Products for sales to Tianye Group Companies and independent third parties is determined in accordance with the sales policy of the Group; and (iii) other major terms of the sales transactions entered into between the Company and Tianye Group Companies are similar with those offered to other independent customers.

Having considered that (i) sales of the Products are the principal business of the Group; (ii) other major terms of the New Master Sales Agreement, including payment terms and delivery are comparable to and no less favourable than that offered to other independent parties; and (iii) the flexibility for the Group to choose sales of the Products to independent third parties if the Group has better offer, we are of the view that the terms of the New Master Sales Agreement are on normal commercial terms, in the ordinary and usual courses of business of the Company and in accordance with the pricing policy of the Group, are in the interests of the Company and its Independent Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Proposed Annual Caps

3.1 Proposed Annual Caps of the New Master Purchase Agreement

The table below sets forth the proposed annual caps of the New Master Purchase Agreement (the “Purchase Annual Caps”) for each of the three years ending 31 December 2023.

	2018 Master Purchase Agreement			New Master Purchase Agreement		
	For the year ended 31 December			For the year ending 31 December		
	2018	2019	2020	2021	2022	2023
Annual Caps (RMB million)	250.0	250.0	250.0	250.0	250.0	250.0

As set out in the Letter from the Board, the Purchase Annual Caps was determined after taking into account (i) the estimated growing demand of the Group’s customers for PVC pipelines and the expected trend of market price based on the supportive policies from the government and an expected increase in customer base of Tianye Group; (ii) the current annual production capacity of PVC pipelines of the Group as the Company has no plan to expand its production capacity for production of PVC pipelines from 2021 to 2023; (iii) the direct proportionality between the production of PVC pipelines and the demand of PVC resins, which means more PVC resins will be used when the production of PVC pipelines increases; (iv) the fact that all of the Group’s PVC resins for the two years ended 31 December 2019 and the ten months ended 31 October 2020 were sourced from Tianye Group Companies; and (v) the value of transactions for the two years ended 31 December 2019 and the ten months ended 31 October 2020 i.e. approximately RMB100,760,000, RMB121,435,000 and RMB119,394,000 respectively.

Our Assessment

In order to assess the fairness and reasonableness of determination basis of the Purchase Annual Caps, we have assessed the abovementioned determination factors as follows:

- (a) The estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines of the Group

As disclosed in the 2019 Annual Report, the sales volume of PVC/PE pipelines increased from approximately 33,219 tons for the year ended 31 December 2018 to approximately 39,141 tons for the year ended 31 December 2019. As advised by the management of the Group, the increase in sales volume was mainly due to the economic growth and thus the general increase in market demand of PVC pipelines.

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To better understand the market of water-saving irrigation system in the PRC, we have performed our desktop research. “National Water Conservation Action Plan*” (國家節水行動方案 http://big5.www.gov.cn/gate/big5/www.gov.cn/xinwen/2019-04/19/content_5384418.htm) jointly released in 2019 by the National Development and Reform Commission (國家發展改革委) and the Ministry of Water Resources of the PRC (中華人民共和國水利部) has set out explicit goals for agricultural and industrial water-saving measure. “Outline of the Yellow River Basin Ecological Protection and High-quality Development Plan*” (黃河流域生態保護和高質量發展規劃綱要 <https://zh.wenxuecity.com/news/2020/08/31/9819496.html>) deliberated in 2020 by Politburo of the Chinese Communist Party (中國共產黨中央政治局) emphasises the importance of both the economical utilization and constraint on the wastage of the Yellow River water resources.

According to the China Statistical Yearbook 2019 (<http://www.stats.gov.cn/tjsj/ndsjsj/2019/indexeh.htm>) compiled by the National Bureau of Statistics of China, we noted that the gross output value of the agricultural industry increased from approximately RMB27,679.9 million in 2008 to approximately RMB61,452.6 million in 2018, with a compound annual growth rate of approximately 8.3%. Also, area irrigated by water-saving system in PRC increased from approximately 27,314,000 hectares in 2010 to approximately 36,135,000 hectares in 2018, with a compound annual growth rate of approximately 3.6%.

We noted that there was an increase trend in historical transaction amount under the 2018 Master Purchase Agreement for approximately RMB100,760,000 in year 2018, approximately RMB121,435,000 in year 2019 and approximately RMB119,394,000 for the ten months ended 31 October 2020. In light of the increase in historical transaction amount, having considered (i) the continuous market growth in water-saving system in the PRC as discussed above; and (ii) the supportive government strategy/policy implemented by the PRC government as mentioned above, we concur with the view of the Company that there are positive factors and the supportive policies from the PRC government which would support the growth of customer demand for water-saving irrigation system.

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- (b) The positive correlation between the production of PVC pipelines and the demand of PVC resins

We have discussed with the management of the Group and noted that PVC resins is the major raw material for the production of PVC pipelines, in particular, the production of each ton of PVC pipelines requires 0.83 to 0.85 ton of PVC resins, depends on the types of PVC pipelines produced. We have reviewed the historical figures of (i) the production volume of PVC pipelines; and (ii) the volume of PVC resins used for the production of PVC pipelines for the two years ended 2019 and the ten months ended 31 October 2020 respectively, which are summarized in the table below.

	For the year ended 31 December		For the ten months ended 31 October 2020
	2018	2019	2020
	approximately	approximately	approximately
	<i>(tons)</i>	<i>(tons)</i>	<i>(tons)</i>
Production volume of PVC pipeline	26,086	30,994	28,822
Volume of PVC resins used for the production of PVC pipelines	21,652	26,345	24,210
Average volume of PVC resins used or each ton of PVC pipelines	0.83	0.85	0.84

Based on our review, we noted that the average volume of PVC resins used in production of each ton of PVC pipelines remained stable and ranged from 0.83 to 0.85 ton for the two years ended 31 December 2019 and the ten months ended 31 October 2020. The historical consumption pattern of PVC resins supported the positive correlation between production volume of PVC pipeline and PVC resins used for the production (i.e. more PVC resins will be used when more PVC pipelines are produced), and the positive correlation is expected to continue given there is no material change in the production facilities of the Group. Based on the above, it is expected that the Group will experience a growth in demand of PVC resins, which is principally driven by (i) the positive factors supporting the growth of market demand for the water-saving irrigation system; and (ii) the positive correlation between the positive correlation between production volume of PVC pipeline and PVC resins used for the production. Therefore, we are of the view that

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the determination of the Purchase Annual Caps based on, among others, the positive correlation between the demand of PVC resins and the expected production volume of PVC pipeline is justifiable.

Per discussion with the management of the Group, the Company has no plan to expand its production capacity for production of PVC pipelines from 2021 to 2023. We concur with the view of the Company on the stable projection of the Purchase Annual Caps for the years ending 31 December 2021, 2022 and 2023.

(c) The PVC resins procurement strategy of the Group

As discussed in the section headed “Reasons for the Proposed Continuing Connected Transactions” above, Tianye Group Companies is one of the market leaders in the PRC’s PVC resins industry. We concur with the view of management of the Group that Tianye Group Companies is able to provide stable supply of PVC resins to fulfill the demand of the Group.

According to our assessment under the New Master Purchase Agreement as discussed above, we noted that the Company normally choose the supplier with the most favourable terms taking into consideration of material cost and transportation cost, given that both the Group and Tianye Group Companies are located in Shihezi, Xinjiang Province, the Group can benefit from lower transportation costs if the Group purchases PVC resins from Tianye Group Companies. In view of this, we are of the view that procuring PVC resins from Tianye Group Companies can provide the Group with cost benefit.

(d) Estimated market price of PVC resins in the PRC

The historical transaction amounts for the two years ended 31 December 2019 and the ten months ended 31 October 2020 was approximately RMB100,760,000, RMB121,435,000 and RMB119,394,000, respectively.

As stated in the Letter from the Board, the average purchase prices under the 2018 Master Purchase Agreement were approximately RMB5,957/ton, RMB5,974/ton and RMB5,912/ton in the two years ended 31 December 2019 and ten months ended 31 October 2020 respectively.

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We are advised by the management of the Group that the movement of market price of PVC resins is highly correlated with the future price of PVC resins. We have studied the historical future prices of PVC resins during the year 2018 to 2020 published by Dalian Commodity Exchange* (大連商品交易所).

The future price of PVC resins has increased from RMB6,485/ton in the beginning of 2018 to RMB7,430/ton at November 2020, representing a compound annual growth rate of approximately 4.77%. We noted that the price of PVC resins has shown a general increasing trend from January 2018 to November 2020.

We noted that the Purchase Annual Caps remained the same as compared to the annual caps under the 2018 Master Purchase Agreement. We also note that the historical annual caps under the 2018 Master Purchase Agreement were not fully utilized (utilization rate for the two years ended 31 December 2019 and the ten months ended 31 October 2020 was approximately 40.3%, 48.6% and 47.8% respectively). We are of the view that (i) the historical annual caps are not fully utilised; (ii) there are positive factors supporting the stable growth of market demand for the PVC pipeline and in turn the growth in demand of PVC resins by the Group; (iii) the positive correlation between the production volume of PVC pipelines and demand of PVC resins; (iv) the cost benefit of procuring PVC resins from Tianye Group Companies; (v) the stable growth of the market price of PVC resins in the past three years; and (vi) the flexibility and buffer for the Group to purchase PVC resins when production volume changes, we are of the view that the Purchase Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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3.2 Proposed Annual Caps of the New Master Sales Agreement

The table below sets forth the proposed annual caps of the New Master Sales Agreement (the “Sales Annual Caps”) for each of the three years ending 31 December 2023.

	2018 Master Sales Agreement For the year ended 31 December			New Master Sales Agreement For the year ending 31 December		
	2018	2019	2020	2021	2022	2023
Annual Caps (RMB million)	18.0	18.0	18.0	30.0	30.0	30.0

As set out in the Letter from the Board, the proposed annual caps have been determined by reference to (i) the value of transactions for the two years ended 31 December 2019 and the ten months ended 31 October 2020, i.e. approximately RMB13,862,000, RMB6,530,000 and RMB5,426,000 respectively; (ii) the estimated growth in the demand of Tianye Group Companies (i.e. Eighth Division Shihezi Oasis Transportation Investment Co., Ltd.*) and its customers; (iii) the increase in customer base of Tianye Group; and (iv) the estimated growth in the demand of Tianye Group Companies after Xinjiang Western Agricultural Material Logistics Co., Ltd., one of the Group’s major customers who was an independent third party became a subsidiary of Tianye Group in December 2019.

Our Assessment

To assess the fairness and reasonableness of the Sales Annual Caps, we have discussed with the Directors regarding the basis of determination of the Sales Annual Caps. We have assessed the above factors and assumptions as follows:

- (a) The increase in customer base and the estimated growth in the demand of Tianye Group Companies and its customers

As set out in the Letter from the Board, in April 2018, Eighth Division Shihezi Oasis Transportation Investment Co., Ltd.* (八師石河子綠洲交通投資有限公司) (“**Eighth Division**”) was transferred to Tianye Group by the Eighth Division SASAC at nil consideration, and became a wholly-owned subsidiary of Tianye Group and hence a connected person of the Company. Eighth Division was a material supplier for the infrastructure of Tianye Group’s 600,000-tonne ethylene glycol new project, while all of the PVC large diameter pipelines required will be purchased from the Company, as such it is expected that considerable amount of connected transactions will be taken place. We have discussed with the management of the Group and noted that the expected transaction amount for the project will be approximately RMB40 million. In addition, the 600,000-tonne of ethylene glycol

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project under construction by Tianye Group requires a large number of PVC pipelines and drip tapes for water supply and drainage. The Group has previously made sales of products of approximately RMB30 million to Eighth Division for infrastructure construction in the early stage, and it is expected that a large number of pipelines will continue to be provided for the construction of new projects, and designated personnel will be sent to carry out technical maintenance, which will generate technical service income. We have obtained and reviewed the sales contracts entered into by the Company and Eighth Division, and we noted that the Company has been selling infrastructure construction material to Eighth Division for the project since November 2017. We have discussed with the management of the Group and noted that the Company and Eighth Division will maintain their cooperation intention in the future, we are of the view that growth in demand by Eighth Division is expected to be increased in order to fulfill the need for the 600,000-tonne ethylene glycol project and hence, increase in demand by Tianye Group Companies is justifiable.

As set out in the Letter from the Board, in December 2019, Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) (“**Xinjiang Western**”) was transferred to Tianye Group by the Eighth Division SASAC at nil consideration, and became a wholly-owned subsidiary of Tianye Group and hence a connected person of the Company. The Group enters into an agency sales agreement with Xinjiang Western on an annual basis, pursuant to which, Xinjiang Western will purchase drip tapes and other products from the Group for external sales, which will generate sales of approximately RMB5 million to RMB8 million per year. According to the mixed reform and operation of Shihezi Tiancheng Water Saving Device Co., Ltd, a subsidiary of the Company, the Group will enhance cooperation with Xinjiang Western and the amount of connected transactions is expected to increase year by year. We have further discussed with the management of the Group, in early 2019, the Group has successfully become the supplier of Xinjiang Western, a company engaged in agricultural related business and trading of water saving equipment which is in demand for the Group’s drip tape and PVC pipelines. As advised by the management of the Group, Tianye Group Companies has acquired Xinjiang Western in December 2019 and it has become a member of Tianye Group Companies. In determining the Sales Annual Caps, the Group has taken into consideration such future growth in demand by Tianye Group Companies and the intention to provide a buffer to facilitate the transaction between the Group and Tianye Group Companies in the next three financial years.

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To justify the fairness and reasonableness of the estimated future growth in demand by Tianye Group Companies, we have discussed with the management of the Group and was informed that the Group and Xinjiang Western had sales transaction in the amount of approximately RMB7.8 million for the year ended 31 December 2019 and RMB3.3 million for the ten months ended 31 October 2020. The Group is also in the process of renewing the sales agreement with Xinjiang Western for 2021. We noted that Xinjiang Western and the Group has business relationship in the past and pursuant to the renewal of sales agreement for 2021 and the cooperation intention in the future, growth in demand by Tianye Group Companies is expected to be increased as Xinjiang Western has become a member of Tianye Group Companies.

Given the diversified business mix and scale of operation of the Tianye Group Companies, growth in demand by Eighth Division due to the 600,000-tonne ethylene glycol project, and the acquisition of Xinjiang Western, we are of the view that Tianye Group Companies will have further needs on PVC pipelines and drip tapes and in turns demand for the Group's product in the coming three years and hence, increase in demand by Tianye Group Companies is justifiable.

(b) The estimated market price of the Products in the PRC

As stated in the section headed "2.2 Principal terms of the New Master Sales Agreement" above, the price of the Products is affected by a number of factors including the price of raw materials and prevailing market prices offer by peers, given the stable growth of the market price of raw materials (i.e. PVC resins) as stated in the section headed "3.1 Proposed Annual Caps of the New Master Purchase Agreement" above, the management of the Group predicts the selling price of the Products will experience a stable growth in the coming three years.

Regarding this, we have reviewed the average selling price of the Group's product during the two years ended 31 December 2019 and the ten months ended 31 October 2020 and set out as follows:

	For the year ended		For the ten months ended
	2018	2019	31 October 2020
	RMB	RMB	RMB
PVC pipelines (per ton)	7,200	7,300	7,200
PE pipelines (per ton)	11,000	12,000	11,500
drip tape (per meter)	0.125	0.125	0.125

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As shown in the above table, the PVC pipelines, the PE pipelines and the drip tape of which selling price had been stable during the two years ended 31 December 2019 and the ten months ended 31 October 2020. However, the management of the Group expected the market price of PVC resins will have a stable growth in the coming years, it is expected that the selling price of the PVC pipelines, the PE pipelines and the drip tape will maintain a stable growth in the coming three financial years.

To further assess the fairness and reasonableness of the stable growing trend in the price of the Group's products, which are largely belong to the plastic product category, we have performed our own desktop research. Pursuant to the Producer's Price Index for Manufactured Plastic Products* (塑料製品業工業生產者出廠價格指數 <https://data.stats.gov.cn/easyquery.htm?cn=A01>) issued by National Bureau of Statistics of China, price index of plastic products has increased from 96.5 in the end of 2015 to 98.1 in the end of 2019, representing a compound annual growth rate of approximately 0.41%. We are of the view that the estimated growth in price of the Group's products is justifiable.

We noted that the Sales Annual Caps represent an increase of approximately 66.7% as compared to the historical annual caps under the 2018 Master Sales Agreement. We also note that the historical annual caps under the 2018 Master Sales Agreement were not fully utilised (utilisation rate for the two years ended 31 December 2019 and ten months ended 31 October 2020 was approximately 77.0%, 36.3% and 30.1% respectively). Despite the low historical utilisation rates, in assessing the fairness and reasonableness of the Sales Annual Caps, we have also taken into account the historical transaction nature, current circumstances and expected trend in the coming financial years. Having considered (i) the demand of PVC pipelines of the Group by Tianye Group Companies (e.g. Eighth Division and Xinjiang Western); and (ii) the expected stable growth in selling price of the Group's products, we are of the view that the annual caps under the New Master Sales Agreement, representing an increase of approximately 66.7%, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the New Master Purchase Agreement and the New Master Sales Agreement, including the proposed annual caps and the transactions contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Proposed Continuing Connected Transactions and the proposed annual caps, as detailed in the notice of EGM set out on the pages 53 to 56 of the Circular.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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, 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 H Shares of the Company held (Note 1)	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Mr. Chen Lin	Beneficial owner	564,000	0.28	0.11

(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 any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2019, 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 (“TianyeGroup”) (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:

1. “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 54.22% 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 (Note 1)	Approximate percentage of the total issued H shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings Limited ("Long Thrive") (Notes 3)	Beneficial owner	14,407,000 (L)	7.12%	2.77%
Mr. Ding Wei ("Mr. Ding") (Note 4)	Interest in controlled corporation	14,407,000 (L)	7.12%	2.77%
Ms. Wang Bing ("Ms. Wang") (Note 5)	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 were 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 2019, 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 qualifications of the expert who has been named in this circular or has given opinion or advice contained in this circular:

INCU Corporate Finance 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, INCU 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.

INCU 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 INCU are given as of the date of this circular for incorporation herein.

As at the Latest Practicable Date, INCU does not have or did not have any interest, direct or indirect, in any assets which have been, since 31 December 2019 (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 AVAILABLE FOR INSPECTION

Copies of the New Master Purchase Agreement and the New Master Sales Agreement shall be available for inspection at LI & PARTNERS 22/F, World-Wide House, Hong Kong within normal business hours during the period of 14 days from the date of this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Thursday, 18 February 2021 at 11:00 a.m. for the following purposes and to pass the following resolutions:

ORDINARY RESOLUTIONS

1. The Master Purchase Agreement dated 26 November 2020 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 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 2023 (as defined in the announcement of the Company dated 26 November 2020 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 Agreement.

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. The Master Sales Agreement dated 26 November 2020 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 “C” 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 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 2023 (as defined in the announcement of the Company dated 26 November 2020 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 Agreement.

SPECIAL RESOLUTION

3. The proposed amendments to the existing articles of association of the Company (details of which are set out in the announcements of the Company dated 8 December 2020 and 11 January 2021 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, handle the relevant filing and amendment procedures (if necessary) and other related matters arising from amendments to the articles of association of the Company.

By Order of the Board

Xinjiang Tianye Water Saving Irrigation System Company Limited*
Chen Lin
Chairman

Xinjiang, the PRC, 14 January 2021

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 Friday, 29 January 2021 to Thursday, 18 February 2021 (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 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 Wednesday, 27 January 2021.
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) 2861 1465 (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 4:00 p.m. on Wednesday, 27 January 2021.
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

NOTICE OF EXTRAORDINARY GENERAL MEETING

9. Precautionary measures for the EGM:

Please refer to the cover of the circular of the Company dated 14 January 2021 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.