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**新疆天業節水灌溉股份有限公司**  
**XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED\***

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 840)**

- (1) REVISION OF THE EXISTING SCOPE AND/OR  
ANNUAL CAPS FOR THE EXISTING CONTINUING  
CONNECTED TRANSACTIONS**
- (2) EXTENSION THE EXISTING CONTINUING  
CONNECTED TRANSACTIONS**

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



**INCUC Corporate Finance Limited**

**REVISION OF THE SERVICES SCOPE AND/OR EXISTING ANNUAL CAPS  
FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

References are made to the circulars of the Company (i) dated 14 November 2022 in relation to Original Project Construction Services Framework Agreement; and (ii) dated 14 January 2021 in relation to Original Sales Framework Agreement and Original Purchase Framework Agreement.

Due to the expansion of business operations and production capacity of the Group, the increased demand for various types of products to be purchased by Tianye Group and the continuous growth in demand of Tianye Group for the Group's various infrastructure construction services and products to be sold, therefore, on 15 September 2023, the Company and Tianye Group respectively entered into (i) 2023–2025 Project Construction Services Framework Agreement, to (a) revise the annual caps amounts of the continuing connected transactions between the parties as of 31 December 2023 under the Original Project Construction Services Framework Agreement; and (b) extend the term of the Original Project Construction Services Framework Agreement to 31 December 2025; (ii) 2023–2025 Sales Framework Agreement, to (a) revise the annual caps amounts of the continuing connected transactions between the parties as of 31 December 2023 under the Original Sales Framework Agreement; (b) increase the types of products sold under the Original Sales Framework Agreement; and (c) extend the term of the Original Sales Framework Agreement to 31 December 2025; and (iii) 2023–2025 Purchase Framework Agreement, to (a) increase the types of products purchased under the Original Purchase Framework Agreement; and (b) extend the term of the Original Purchase Framework Agreement to 31 December 2025.

#### **LISTING RULES IMPLICATIONS**

According to Rule 14A.54 of the Listing Rules, if the Company intends to revise the existing annual cap of continuing connected transactions, update the Continuing Connected Transaction Agreements, or substantially revise the terms of the Continuing Connected Transaction Agreements, the Company shall be required to re-comply with the requirements of Chapter 14A of the Listing Rules in relation to relevant connected transactions.

As at the date of this announcement, Tianye Group is an actual controller of the Company holding approximately 60.42% of the issued share capital of the Company directly, and Tianye Group is therefore a connected person of the Company. In light that Tianye Group is a connected person of the Company, the transactions under the Continuing Connected Transaction Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the respectively maximum proposed annual caps of the Continuing Connected Transaction Agreements is more than 5%, the transactions contemplated thereunder constitute non-exempt continuing connected transactions of the Company, and are subject to the reporting, announcement, annual approval and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING AND ABSTENTION FROM VOTING AT EXTRAORDINARY GENERAL MEETING**

An Independent Board Committee of the Company comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps) are fair and reasonable, and whether they are in the interests of the Company and its Shareholders as a whole.

An extraordinary general meeting of the Company will be held to consider and approve, among other things, the ordinary resolution in respect of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps).

INCU Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps) are fair and reasonable, and whether they are in the interests of the Company and its Shareholders as a whole.

To the best knowledge, information, and belief of the Directors, as at the date of this announcement, save for Tianye Group and its associates, no other Shareholders shall be required to abstain from voting at the extraordinary general meeting, and the vote to be taken at the extraordinary general meeting in respect of the Continuing Connected Transaction Agreements shall be conducted by poll.

A circular containing, among other things, (i) the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps); (ii) recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser in relation to the terms of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including revised scope and/or existing annual caps); (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, shall be dispatched by the Company to the Shareholders within fifteen business days following the publication of this announcement (being 6 October 2023), and published on the websites of the Stock Exchange and the Company in accordance with Rule 14A.68(11) of the Listing Rules. In light of additional time required for the preparation and finalization of certain information as contained in the said circular, it is expected that the circular will be dispatched to the Shareholders on or before 13 October 2023, and published on the websites of the Stock Exchange and the Company.

## **REVISION OF THE SERVICES SCOPE AND/OR EXISTING ANNUAL CAPS FOR THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

References are made to the circulars of the Company (i) dated 14 November 2022 in relation to, among others, Original Project Construction Services Framework Agreement; and (ii) dated 14 January 2021 in relation to, among others, Original Sales Framework Agreement and Original Purchase Framework Agreement.

Due to the expansion of business operations and production capacity of the Group, the continuous growth in demand of Tianye Group for the Group's various infrastructure construction services and products to be sold and the increase in the Group's demand for various products to be purchased by Tianye Group, therefore, on 15 September 2023, the Company and Tianye Group respectively entered into (i) 2023–2025 Project Construction Services Framework Agreement, to (a) revise the annual caps amounts of the continuing connected transactions between the parties as of 31 December 2023 under the Original Project Construction Services Framework Agreement; and (b) extend the term of the Original Project Construction Services Framework Agreement to 31 December 2025; (ii) 2023–2025 Sales Framework Agreement, to (a) revise the annual caps amounts of the continuing connected transactions between the parties as of 31 December 2023 under the Original Sales Framework Agreement; (b) increase the types of products sold under the Original Sales Framework Agreement; and (c) extend the term of the Original Sales Framework Agreement to 31 December 2025; and (iii) 2023–2025 Purchase Framework Agreement, to (a) increase the types of products purchased under the Original Purchase Framework Agreement; and (b) extend the term of the Original Purchase Framework Agreement to 31 December 2025.

### **2023–2025 PROJECT CONSTRUCTION SERVICES FRAMEWORK AGREEMENT**

Save for the changes to the relevant terms under the Original Project Construction Services Framework Agreement set out in the paragraph headed “3. Term” and “4. Annual caps adjustment” below, all other terms and conditions under the Original Project Construction Services Framework Agreement remain unchanged. For details of terms and pricing under the Original Project Construction Services Framework Agreement, please refer to the section headed “Letter from the Board — 2. PROJECT CONSTRUCTION SERVICES FRAMEWORK AGREEMENT” of the circular of the Company dated 14 November 2022.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) believe that 2023–2025 Project Construction Services Framework Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial or better terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The principal terms of 2023–2025 Project Construction Services Framework Agreement are summarized as follows:

**1. Date**

15 September 2023 (after trading hours of the Stock Exchange)

**2. Parties**

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

**3. Term**

The services term under the Original Project Construction Services Framework Agreement has been revised from 1 January 2023 to 31 December 2025, extending the original term by one year to 31 December 2025.

**4. Annual caps adjustment**

- (i) The existing annual caps for the transactions contemplated under the Original Project Construction Services Framework Agreement for the years ending 31 December 2023, 2024 and 2025 will be adjusted as follows:

	<b>For the year ending 31 December 2023 (RMB)</b>	<b>For the year ending 31 December 2024 (RMB)</b>	<b>For the year ending 31 December 2025 (RMB)</b>
Existing annual caps under the Original Project Construction Services Framework Agreement	310,000,000	310,000,000	N/A
Adjusted annual caps under 2023–2025 Project Construction Services Framework Agreement	510,000,000	510,000,000	510,000,000

## Historical transaction amount

The actual transaction amounts incurred for the year ended 31 December 2022 and for the six months ended 30 June 2023 under the Original Project Construction Services Framework Agreement are set out below:

	<b>For the year ended 31 December 2022 (RMB)</b>	<b>For the six months ended 30 June 2023 (RMB)</b>
Actual transaction amounts incurred	47,955,963.32	27,811,848.34

## Basis of determination of the proposed annual caps

The proposed annual caps were arrived at after an arm's length negotiation between the Company and Tianye Group with reference to, among other things, the following:

- (i) the historical transaction amounts incurred under the Original Project Construction Services Framework Agreement;
- (ii) the number of tenders won by the Company from Tianye Group (as at the date of this announcement, the Company has won the tenders for 34 projects of Tianye Group), including the total of two projects in respect of the general contracting for design, procurement and construction for high-standard farmland construction of Xinjiang Production and Construction Corps Eighth Agricultural Division of Tianye Group, subject to the entry of the formal agreement between the Company and Tianye Group regarding the said successful tenders), as well as the future transaction plans;
- (iii) The Company is expected to participate in the construction and maintenance plans for 14 projects of Tianye Group in the next three years, including projects as contemplated under the letter of intent for strategic cooperation with governments at all levels, as well as the expected service demands of Tianye Group. The cumulative number of tenders won by the Company plus the number of projects in which the Company is expected to participate totaled 48;
- (iv) the impact of the contract signing time and performance progress on the expense recognition, as such construction works in general will take around three months to one year to complete; and

- (v) the buffer (being approximately 5%) budgeted to cope with potential increase in the relevant service demands of Tianye Group, as well as estimated increase in average market prices for similar services due to expected increase in costs caused by inflation.

If the total transaction amounts under the 2023–2025 Project Construction Services Framework Agreement are expected to exceed the proposed annual caps, the Company will be required to re-comply with the relevant requirements in accordance with the Listing Rules such as making a separate announcement and seeking approval from Independent Shareholders, if applicable.

As the transactions contemplated under the 2023–2025 Project Construction Services Framework Agreement constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps are subject to the approval of the Independent Shareholders, the 2023–2025 Project Construction Services Framework Agreement is conditional upon the passing of the relevant resolution(s) at the extraordinary general meeting.

## **2023–2025 PURCHASE FRAMEWORK AGREEMENT**

Except for the changes to relevant terms under the Original Purchase Framework Agreement as detailed in the paragraphs “3. Purchased goods”, “4. Term” and “5. Annual caps adjustment” below, all other terms and conditions under the Original Purchase Framework Agreement remain unchanged. For details on the terms and pricing policies under the Original Purchase Framework Agreement, please refer to the section headed “Letter from the Board — 2. PROPOSED CONTINUING CONNECTED TRANSACTIONS — (1) New Master Purchase Agreement” of the circular of the Company dated 14 January 2021.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) believe that 2023–2025 Purchase Framework Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial or better terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The principal terms of 2023–2025 Purchase Framework Agreement are summarized as follows:

### **1. Date**

15 September 2023 (after trading hours of the Stock Exchange)

### **2. Parties**

- (i) the Company (for itself and on behalf of its subsidiaries), as the purchaser; and

(ii) Tianye Group (for itself and on behalf of its subsidiaries), as the vendor.

### 3. Purchased goods

Purchase of PVC resins, light calcium carbonate, other chemical products and agricultural products, with light calcium carbonate, other chemical products and agricultural products as newly added products.

### 4. Term

The service period under the Original Purchase Framework Agreement has been revised from 1 January 2023 to 31 December 2025, extending the original term by two years to 31 December 2025.

### 5. Annual caps adjustment

The existing annual caps for the transactions contemplated under the Original Purchase Framework Agreement for the years ending 31 December 2023, 2024 and 2025 will be extended as follows (the amount of the annual caps remains unchanged):

	<b>For the year ending 31 December 2023 (RMB)</b>	<b>For the year ending 31 December 2024 (RMB)</b>	<b>For the year ending 31 December 2025 (RMB)</b>
Existing annual caps under the Original Purchase Framework Agreement	250,000,000	N/A	N/A
Adjusted annual caps under 2023–2025 Purchase Framework Agreement	250,000,000	250,000,000	250,000,000

#### ***Pricing basis***

The purchase control procedure under the 2023–2025 Purchase Framework Agreement is the same as that under the Original Purchase Framework Agreement. For details, please refer to the circular of the Company dated 14 January 2021.

There is no standard market price for PVC resins, and market price varies by regions. In relation to the average market price of PVC resins, the average purchase price under the Original Purchase Framework Agreement was approximately RMB8,507/ton, RMB7,382/ton and RMB5,915/ton for the financial years 2021 and 2022 and for the six months ended 30 June 2023 respectively.



There is no standard market price for light calcium carbonate, and market price varies by regions. In relation to the average market price of light calcium carbonate, the average purchase price for the six months ended 30 June 2023 was approximately RMB5,300/ton.

There are no standard market prices for agricultural products, and market prices vary by regions. In relation to the average market prices of agricultural products, the average purchase prices for the six months ended 30 June 2023 was approximately RMB13,825/ton.

There is no standard market price for other chemical products, and market price varies by regions. In relation to the average market price of other chemical products, the average purchase price for the six months ended 30 June 2023 was approximately RMB9,700/ton.

The Directors believe that the above procurement process will ensure that the terms of the 2023–2025 Purchase Framework 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 transaction amount**

The actual transaction amounts incurred for the year ended 31 December 2022 and for the six months ended 30 June 2023 under the Original Purchase Framework Agreement are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ended 31 December 2022 (RMB)</b>	<b>For the six months ended 30 June 2023 (RMB)</b>
Actual transaction amounts incurred	138,665,924.00	55,091,747.00	55,408,595.50

#### **Basis of determination of the proposed annual caps**

The proposed annual caps were determined between the Company and Tianye Group after arm's length negotiations with reference to, among other things, the following factors:

- (i) the historical transaction amounts incurred under the Original Purchase Framework Agreement;

- (ii) the estimated growing demand of the Group's customers for various goods to be purchased based on the supportive policies from the government and an expected increase in customer base of Tianye Group and the Group;
- (iii) the expanded scope of various products to be purchased under the 2023–2025 Purchase Framework Agreement; and
- (iv) the anticipated demand and expected market price trend of the Group and its customers for various products to be purchased by the Group during the term of the 2023–2025 Purchase Framework Agreement with reference to, among other things, the current discussions with Tianye Group and the business and production plans of the Group.

The above factors are assumptions made solely for determining the proposed annual caps and should not be regarded as any direct or indirect indications of the revenue, profitability or trading prospects of the Company or the Group.

If the aggregate transaction amount under the 2023–2025 Purchase Framework Agreement is expected to exceed the proposed annual caps, the Company will be required to re-comply with the relevant requirements under the Listing Rules, such as making a separate announcement and seeking the approval of the Independent Shareholders (as applicable).

As the transactions contemplated under the 2023–2025 Purchase Framework Agreement constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps are subject to the approval of the Independent Shareholders, the 2023–2025 Purchase Framework Agreement is conditional upon the passing of the relevant resolution(s) at the extraordinary general meeting.

## **2023–2025 SALES FRAMEWORK AGREEMENT**

Except for the changes to relevant terms under the Original Sales Framework Agreement as detailed in the paragraphs “3. Items for sale”, “4. Term” and “5. Annual caps adjustment” below, all other terms and conditions under the Original Sales Framework Agreement remain unchanged. For details on the terms and pricing policies under the Original Sales Framework Agreement, please refer to the section headed “Letter from the Board — 2. PROPOSED CONTINUING CONNECTED TRANSACTIONS — (2) New Master Sales Agreement” of the circular of the Company dated 14 January 2021.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) believe that 2023–2025 Sales Framework Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial or better terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The principal terms of 2023–2025 Sales Framework Agreement are summarized as follows:

**1. Date**

15 September 2023 (after trading hours of the Stock Exchange)

**2. Parties**

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

**3. Items for sale**

Sales of PVC/PE pipelines, drip tapes and drip assemblies, automation products, filters, water pumps, fertilizer applicators and other related products, with automation products, filters, water pumps, fertilizer applicators and other related products as newly added products.

**4. Term**

The service period under the Original Sales Framework Agreement has been revised from 1 January 2023 to 31 December 2025, extending the original term by two years to 31 December 2025.

**5. Annual caps adjustment**

The existing annual caps for the transactions contemplated under the Original Sales Framework Agreement for the years ending 31 December 2023, 2024 and 2025 will be adjusted as follows:

	<b>For the year ending 31 December 2023 (RMB)</b>	<b>For the year ending 31 December 2024 (RMB)</b>	<b>For the year ending 31 December 2025 (RMB)</b>
Existing annual caps under the Original Sales Framework Agreement	30,000,000	N/A	N/A
Adjusted annual caps under 2023–2025 Sales Framework Agreement	250,000,000	250,000,000	250,000,000

### *Pricing basis*

The pricing principles under the 2023–2025 Sales Framework Agreement are the same as that under the Original Sales Framework Agreement. For details, please refer to the circular of the Company dated 14 January 2021.

In relation to the average market price of PVC pipelines, the average sale price under the Original Sales Framework Agreement was approximately RMB9,871/ton, RMB7,823/ton and RMB6,376/ton for the financial years 2021 and 2022 and for the six months ended 30 June 2023 respectively.

In relation to the average market price of PE pipelines, the average sale price under the Original Sales Framework Agreement was approximately RMB10,550/ton, RMB11,260/ton and RMB10,902/ton for the financial years 2021 and 2022 and for the six months ended 30 June 2023 respectively.

In relation to the average market price of drip tapes, the average sale price under the Original Sales Framework Agreement was approximately RMB0.9/meter, RMB0.9/meter and RMB0.9/meter for the financial years 2021 and 2022 and for the six months ended 30 June 2023 respectively.

In relation to the average market price of automation products, the average sale price was approximately RMB400/mu for the six months ended 30 June 2023.

In relation to the average market price of filters, the average sale price was approximately RMB22,000/unit for the six months ended 30 June 2023.

In relation to the average market price of water pumps, the average sale price was approximately RMB9,000/unit for the six months ended 30 June 2023.

In relation to the average market price of fertilizer applicators, the average sale price was approximately RMB30,000/unit for the six months ended 30 June 2023.

The Directors believe that the above sales process will ensure that the terms of the 2023–2025 Sales Framework 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 transaction amount

The actual transaction amounts incurred under the Original Sales Framework Agreement for the year ended 31 December 2022 and for the six months ended 30 June 2023 are set out below:

	<b>For the year ended 31 December 2021 (RMB)</b>	<b>For the year ended 31 December 2022 (RMB)</b>	<b>For the six months ended 30 June 2023 (RMB)</b>
Actual transaction amounts incurred	1,592,989.45	716,046.05	318,689.40

## Basis of determination of the proposed annual caps

The proposed annual caps were determined between the Company and Tianye Group after arm's length negotiations with reference to, among other things, the following factors:

- (i) the historical transaction amounts incurred under the Original Sales Framework Agreement;
- (ii) the supportive government policies and the expected increase in the customer base of Tianye Group as well as the estimated growth in demand expected from Tianye Group and its customers;
- (iii) the expanded scope of various products to be sold under the 2023–2025 Sales Framework Agreement;
- (iv) the anticipated demand and expected market price trend of Tianye Group and its customers for various products to be sold by the Group during the term of the 2023–2025 Sales Framework Agreement with reference to, among other things, the current discussions with Tianye Group and the business and production plans of the Group;
- (v) the Group has won the tender for a procurement project for equipment and materials required for high-standard farmland project of Xinjiang Production and Construction Corps Eighth Agricultural Division of Tianye Group, as well as general contracting for design, procurement and construction for high-standard farmland construction of Xinjiang Production and Construction Corps Eighth Agricultural Division of Tianye Group (in total of two projects); and

(vi) the buffer budgeted to cope with potential increase in the relevant service demands of Tianye Group, as well as estimated increase in average market prices for similar services and products due to inflation and expected increase in costs.

The above factors are assumptions made solely for the purpose of determining the proposed annual caps and should not be regarded as any direct or indirect indications of the revenue, profitability or trading prospects of the Company or the Group.

If the aggregate transaction amount under the 2023–2025 Sales Framework Agreement is expected to exceed the proposed annual caps, the Company will be required to re-comply with the relevant requirements under the Listing Rules, such as making a separate announcement and seeking the approval of the Independent Shareholders (as applicable).

As the transactions contemplated under the 2023–2025 Sales Framework Agreement constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the proposed annual caps are subject to the approval of the Independent Shareholders, the 2023–2025 Sales Framework Agreement is conditional upon the passing of the relevant resolution(s) at the extraordinary general meeting.

#### **REASONS AND BENEFITS FOR ENTERING INTO THE CONTINUING CONNECTED TRANSACTION AGREEMENTS**

In relation to the 2023–2025 Project Construction Services Framework Agreement, the Group intends to extend the term and increase the annual caps mainly due to (i) the increased synergy between the Group and Tianye Group after years of cooperation; and (ii) the expansion of business operations and production capacity of the Group, and the continuous increase in the demand of Tianye Group for various infrastructure construction services of the Group. As at the date of this announcement, the Company has won the tender for 34 projects of Tianye Group (subject to the entering into of the formal agreement between the Company and Tianye Group regarding the said successful tender), which will exceed the existing annual caps for the years ended 2023 and 2024 under the Original Project Construction Services Framework Agreement within a short period; and (iii) the buffer budgeted to cope with potential increase in the relevant service demands of Tianye Group, as well as estimated increase in average market prices for similar services and products due to inflation and expected increase in costs.

In relation to the 2023–2025 Purchase Framework Agreement, the Group intends to extend the term and increase the number of products to be purchased due to (i) the fact that the factory of Tianye Group is located nearby, so that the Group can lower the transportation costs if it purchases PVC resins, light calcium carbonate, other chemical products and agricultural products from Tianye Group; (ii) the synergy between the Group and Tianye Group has been strengthened after years of cooperation; (iii) Tianye Group agrees that in case of a shortage of PVC resin, light calcium carbonate, other chemical products, and agricultural products in the market, the Group may have priority to purchasing these products at market prices. In such circumstances, the Directors believe that the Group will maintain its competitiveness in the market with lower

purchasing costs and stable supply of the products to be purchased. On the other hand, the Group shall not be obliged to purchase the above said products if the Group is offered with a more favorable price with similar quality by independent third parties.

In relation to the 2023–2025 Sales Framework Agreement, the Group intends to extend the term and increase the annual caps and the number of items for sale due to (i) the expansion of business operations and production capacity of the Group, and the continuous increase in the demand of Tianye Group for various products to be sold by the Group; (ii) the increased synergy between the Group and Tianye Group after years of cooperation; (iii) the supply of the drip tapes, PVC/PE pipelines and drip assemblies, automation products, filters, pumps, fertilizer applicator and other related products by the Group to Tianye Group and its customers, which will increase the Group's source of revenue; (iv) the Group has won the tenders for a procurement project for equipment and materials required for high-standard farmland project of Xinjiang Production and Construction Corps Eighth Agricultural Division of Tianye Group as well as general contracting for design, procurement and construction for high-standard farmland construction of Xinjiang Production and Construction Corps Eighth Agricultural Division of Tianye Group (in total of two projects); and (v) the buffer budgeted to cope with potential increase in the relevant service demands of Tianye Group, as well as estimated increase in average market prices for similar services and products due to inflation and expected increase in costs. The Directors believe that it is in the interest of the Group to enter into the 2023–2025 Sales Framework Agreement as sales to Tianye Group will increase the volume of sales on the Group's products and the profit of the Group.

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) believe that the Continuing Connected Transaction Agreements were entered into in the ordinary and usual course of business of the Group on normal commercial or better terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INTERNAL CONTROL PROCEDURES**

In order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted the following internal control procedures to standardize and prescribe pricing policies, mechanism, terms of reference, and decision-making agencies and to monitor the transactions under each of the Continuing Connected Transactions Agreements so that the transactions under Continuing Connected Transactions Agreements are assured in strict compliance with the relevant pricing policies.

Particularly for the purposes of the continuing connected transactions as contemplated under the Continuing Connected Transaction Agreements and the annual caps (non-exempt continuing connected transactions), the guiding principles will apply and the relevant internal control procedures are as follows:

- (i) The finance department of the Company will closely monitor and record actual transaction amounts of the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements to ensure the annual caps therein will not be exceeded;
- (ii) In relation to the 2023–2025 Project Construction Services Framework Agreement, the relevant officers of the business department of the Company will conduct regular inspections to review and assess whether the transactions contemplated under the 2023–2025 Project Construction Services Framework Agreement proceed in accordance with the terms therein, so as to consider whether specific transaction prices are fair and reasonable and in compliance with the aforesaid pricing policies: (a) in connection with governmental pricing principles, the Group will review the relevant government-mandated or government-suggested prices to ensure that prices quoted to Tianye Group will be in compliance with the relevant government-mandated or government-suggested prices; (b) in connection with the market pricing principle, as far as provision of services to Tianye Group is concerned, the Group will review terms offered by independent third parties, and ensure principal terms offered to Tianye Group will be favorable to the Group and no less favorable to terms offered by the Group to independent third parties; (c) in connection with the agreed pricing principle, where neither the governmental pricing principle nor market pricing principle apply, prices offered to Tianye Group will be determined in reference to reasonable costs plus specific reasonable profits, in which case the Group will ensure the relevant profit margin will not be less favorable than those offered by independent third parties;
- (iii) In relation to the 2023–2025 Purchase Framework Agreement, the relevant officers of the business department of the Company will conduct regular inspections to review and assess whether the transactions contemplated under the 2023–2025 Purchase Framework Agreement proceed in accordance with the terms therein, so as to consider whether specific transaction prices are fair and reasonable and in compliance with the aforesaid pricing policies: (a) in connection with governmental pricing principles, the Group will review the relevant government-mandated or government-suggested prices to ensure that prices of products to be purchased will be in compliance with the relevant government-mandated or government-suggested prices; (b) in connection with the market pricing principle, as far as procurement of Tianye Group’s products is concerned, the Group will review terms offered by independent third parties, and ensure principal terms offered by Tianye Group to the Group will be favorable to the Group and no less favorable to terms offered by Tianye Group to independent third parties; (c) in connection with the agreed pricing principle, where neither the governmental pricing principle nor market pricing



principle apply, prices offered by Tianye Group will be determined in reference to reasonable costs plus specific reasonable profits, in which case the Group will ensure the relevant profit margin will not be higher than those offered by independent third parties to Tianye Group;

- (iv) In relation to the 2023–2025 Sales Framework Agreement, the relevant officers of the business department of the Company will conduct regular inspections to review and assess whether the transactions contemplated under the 2023–2025 Sales Framework Agreement proceed in accordance with the terms therein, so as to consider whether specific transaction prices are fair and reasonable and in compliance with the aforesaid pricing policies: (a) in connection with governmental pricing principles, the Group will review the relevant government-mandated or government-suggested prices to ensure that prices of products to be sold will be in compliance with the relevant government-mandated or government-suggested prices; (b) in connection with the market pricing principle, as far as sale of products to Tianye Group is concerned, the Group will review terms offered by independent third parties, and ensure principal terms offered to Tianye Group will be favorable to the Group and no less favorable to terms offered by the Group to independent third parties; (c) in connection with the agreed pricing principle, where neither the governmental pricing principle nor market pricing principle apply, prices offered by the Group will be determined in reference to reasonable costs plus specific reasonable profits, in which case the Group will ensure the relevant profit margin will not be less favorable than those offered by independent third parties;
- (v) In accordance with the Listing Rules, the auditor of the Company will review the continuing connected transactions (which shall be subject to annual review and disclosure requirements under the Listing Rules) on an annual basis, and confirm whether (a) the transactions contemplated under the Continuing Connected Transaction Agreements are approved by the Board; (b) these transactions are in compliance with the pricing policies of the Group in all material aspects; (c) these transactions are entered into in accordance with the Continuing Connected Transaction Agreements; and (d) annual caps are exceeded; and
- (vi) In accordance with the Listing Rules, the independent non-executive Directors shall conduct annual reviews (which shall be subject to annual review and disclosure requirements under the Listing Rules) to confirm that the transactions contemplated under the Continuing Connected Transaction Agreements are conducted (a) in the ordinary and usual course of business; (b) on normal commercial or better terms; and (c) in accordance with the Continuing Connected Transaction Agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Where the proposed annual caps in respect of each of the Continuing Connected Transaction Agreements mentioned above are exceeded, or renewed or materially changed, the Company will be required to re-comply with the reporting, announcement, and Independent Shareholders' approval (if applicable) requirements under Rules 14A.35 to 14A.47 of the Listing Rules.

The Directors (including the independent non-executive Directors) believe that the above internal control procedures adopted by the Company in relation to the Continuing Connected Transaction Agreements are appropriate, which can ensure that the above continuing connected transactions will be executed in accordance with the pricing principles established under the Continuing Connected Transaction Agreements respectively and are properly monitored.

### **OPINIONS OF DIRECTORS ON THE CONTINUING CONNECTED TRANSACTION AGREEMENTS AND ABSTENTION FROM VOTING ON RESOLUTIONS BEFORE THE BOARD**

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be despatched to the Shareholders after considering the views of the Independent Financial Adviser) believe that the terms of the Continuing Connected Transaction Agreements are determined in the ordinary and usual course of business on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Ms. Yang Ling and Mr. Jiang Dayong, executive Directors of the Company, have abstained from voting on the approval of the Continuing Connected Transaction Agreements at the meeting of the Board, as they have material interests therein as a member of the Party Committee and the assistant to the general manager of Tianye Group, respectively. Save as disclosed above, none of the Directors have material interests in the Continuing Connected Transaction Agreements.

### **INFORMATION ABOUT THE COMPANY AND TIANYE GROUP**

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

Tianye Group is mainly engaged in the manufacturing and sales of chlor-alkali; sulfuric acid, hydrochloric acid, sodium hydroxide (protopine, alkali, solid caustic soda, caustic soda) calcium hypochlorite, sodium hypochlorite, lime, high boiling materials(dichloroethane); transportation of in-road general cargos; manufacturing and sale of 1,4-butanediol, glycol, chemicals, solid mercury catalysts, cement and cement products, plastic products, calcium carbonate and sodium carbonate; sale of steel,

building materials, livestock products, machinery and equipment and chemical products; promotion of farming, aquaculture, water-saving agriculture technologies, research of water-saving agriculture technologies, import and export, international freight forwarding, property management, rail transportation through self-built railways; loading and unloading and handling, testing equipment technology consulting and services, machinery and equipment leasing services, processing and manufacturing of moulds and spare parts; advertisement design, production, publishing and agency; warehousing services (other than for hazardous chemicals), domestic freight forwarding agency services, customs clearance and inspection services, development and sale of computer software, information technology services and consultation, information system integration engineering, network cabling engineering, automation control system, sale, installation and maintenance of industrial monitoring equipment, design, production and maintenance of websites; agricultural planning and design, agricultural technology research and promotion, plantation and sales of crops, agricultural product processing and sales; engineering design, construction, contracting, and technology transfer; thermal power generation; heat supply; sales of electricity and steam; electrical testing; vehicle leasing; catering services; sales of calcium carbide, coal and coal products; and sales of mineral products and metal materials. As at the date of this announcement, the registered capital of Tianye Group is owned by the State-owned Assets Supervision and Administration Commission of the Xinjiang Production and Construction Corps Eighth Agricultural Division\* (新疆生產建設兵團第八師國有資產監督管理委員會) and the State-owned Assets Supervision and Administration Commission of Xinjiang Production and Construction Corps\* (新疆生產建設兵團國有資產監督管理委員會) as to 90% and 10% of the equity interest, respectively.

## **LISTING RULES IMPLICATIONS**

According to Rule 14A.54 of the Listing Rules, if the Company intends to revise the existing annual cap of continuing connected transactions, update the Continuing Connected Transaction Agreements, or substantially revise the terms of the Continuing Connected Transaction Agreements, the Company shall be required to re-comply with the requirements of Chapter 14A of the Listing Rules in relation to relevant connected transactions.

As at the date of this announcement, Tianye Group is a controlling shareholder of the Company holding approximately 60.42% of the issued share capital of the Company directly, and Tianye Group is therefore a connected person of the Company. The transactions under the Continuing Connected Transaction Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the respective annual caps of each of the Continuing Connected Transaction Agreements is more than 5%, the transactions contemplated thereunder constitute non-exempt

continuing connected transactions of the Company, and are subject to the reporting, announcement, annual approval and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **EXTRAORDINARY GENERAL MEETING AND ABSTENTION FROM VOTING AT EXTRAORDINARY GENERAL MEETING**

An Independent Board Committee of the Company comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps) are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole.

An extraordinary general meeting of the Company will be held to consider and approve, among other things, the ordinary resolution in respect of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps).

INCU Corporate Finance Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps) are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole.

To the best knowledge, information, and belief of the Directors, as at the date of this announcement, save for Tianye Group and its associates, no other Shareholders shall be required to abstain from voting at the extraordinary general meeting, and the vote to be taken at the extraordinary general meeting in respect of the Continuing Connected Transaction Agreements shall be conducted by poll.

## **GENERAL**

A circular containing, among other things, (i) the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including the revision of scope and/or existing annual caps); (ii) recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser in relation to the terms of the Continuing Connected Transaction Agreements and the transactions contemplated thereunder (including revised scope and/or existing annual caps); (iv) a notice of convening the extraordinary general meeting; and (v) other information as required under the Listing Rules, shall be dispatched by the Company to the Shareholders within fifteen business days following the publication of this announcement (being 6 October 2023), and published on the websites of the Stock Exchange and the Company in accordance with Rule 14A.68(11) of the Listing Rules. In light of additional time required for the preparation and finalization of certain

information as contained in the said circular, it is expected that the circular will be dispatched to the Shareholders on or before 13 October 2023, and published on the websites of the Stock Exchange and the Company.

## DEFINITIONS

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

- “2023–2025 Project Construction Services Framework Agreement” the 2023–2025 Project Construction Services Framework 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) dated 15 September 2023 in relation to (i) revision of the annual cap for the continuing connected transactions as of 31 December 2023 under the Original Project Construction Services Framework Agreement; and (ii) extension of the term of the Original Project Construction Services Framework Agreement to 31 December 2025
- “2023–2025 Purchase Framework Agreement” the 2023–2025 Purchase Framework 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) dated 15 September 2023 in relation to (i) revision of the annual cap for the continuing connected transactions as of 31 December 2023 under the Original Purchase Framework Agreement; and (ii) extension of the term of the Original Purchase Framework Agreement to 31 December 2025
- “2023–2025 Sales Framework Agreement” the 2023–2025 Sales Framework 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) dated 15 September 2023 in relation to (i) revision of the annual cap for the continuing connected transactions as of 31 December 2023 under the Original Sales Framework Agreement; (ii) increase in the types of products sold under the Original Sales Framework Agreement; and (iii) extension of the term of the Original Sales Framework Agreement to 31 December 2025
- “Board” the board of directors of the Company
- “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, whose H Shares are listed and traded on the Main Board of the Stock Exchange

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction Agreements”	2023–2025 Project Construction Services Framework Agreement, 2023–2025 Purchase Framework Agreement and 2023–2025 Sales Framework Agreement
“controlling shareholder(s)”	has the meaning ascribed to it 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
“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\$
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all independent non-executive Directors
“Independent Financial Adviser”	INCUB 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 Continuing Connected Transaction Agreements
“Independent Shareholders”	Shareholders other than Tianye Group and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Original Project Construction Services Framework Agreement”	the Project Construction Services Framework 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 7 October 2022 in relation to the provision of infrastructure construction services. For details of the Original Project Construction Services Framework Agreement, please refer to the circular of the Company dated 14 November 2022
“Original Purchase Framework 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. For details of the Original Purchase Framework Agreement, please refer to the circular of the Company dated 14 January 2021
“Original Sales Framework 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. For details of the Original Sales Framework Agreement, please refer to the circular of the Company dated 14 January 2021
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the registered holders of H Shares and Domestic Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianye Group”

Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司), a company established in the PRC with limited liability on 28 June 1996, which is owned by the State-owned Assets Supervision and Administration Commission of the Xinjiang Production and Construction Corps Eighth Agricultural Division\* (新疆生產建設兵團第八師國有資產監督管理委員會) and the State-owned Assets Supervision and Administration Commission of Xinjiang Production and Construction Corps\* (新疆生產建設兵團國有資產監督管理委員會) as to 90% and 10% of the equity interest, respectively. It is directly interested in approximately 60.42% of the issued share capital of the Company as at the date of this announcement

“%”

per cent

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

Xinjiang, PRC, 15 September 2023

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li He (Chairman), Ms. Yang Ling and Mr. Jiang Dayong, and four independent non-executive Directors, namely Mr. Li Lianjun, Ms. Gu Li, Mr. Hung Ee Tek and Mr. He Xinlin.*

\* For identification purpose only