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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 form 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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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) PROPOSED CONTINUING CONNECTED TRANSACTION,**  
**(2) PROPOSED RE-ELECTION OF SUPERVISORS,**  
**(3) PROPOSALS FOR GENERAL MANDATE TO ISSUE SHARES,**  
**(4) PROPOSED GRANT OF GENERAL MANDATE TO REPURCHASE H SHARES**  
**AND**  
**(5) NOTICE OF ANNUAL GENERAL MEETING AND CLASS MEETINGS**

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



**永豐金證券(亞洲)有限公司**  
**SinoPac Securities (Asia) Limited**

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This circular is dispatched together with the annual report of Xinjiang Tianye Water Saving Irrigation System Company Limited\* (“the Company”) for the year ended 31st December, 2008 (the “Annual Report”).

The notice for convening the annual general meeting and the respective class meetings for holders of H shares and Domestic Shares of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Friday, 8 May 2009 is set out on pages 35 to 40 of this circular. Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed with the Annual Report and this circular 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, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, 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 such meetings or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meetings or any adjourned meeting should you so wish.

\* For identification purpose only

20 March 2009

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## DEFINITIONS

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

- “acting in concert”** has the meaning as defined under the Takeovers Code;
- “AGM”** the annual general meeting of the Company to be convened on Friday, 8 May 2009 at 11:00 a.m. at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC, the notice of which is set out on pages 35 to 40 of this circular;
- “AGM Notice”** the notice dated 20 March 2009 for convening the AGM as set out on pages 35 to 40 of this circular;
- “Articles of Association”** the articles of association of the Company as may be amended from time to time;
- “associates”** has the meaning as defined under the Listing Rules;
- “Board”** the board of Directors;
- “Chairman”** chairman of the Board;
- “Class Meetings”** the class meeting for holders of H Shares to be held immediately after the conclusion of the AGM and the class meeting for holders of Domestic Shares to be held immediately after the conclusion of the said class meeting for holders of H Shares, the respective notices of which are set out on pages 41 to 46 to this circular, or any adjournment thereof respectively;
- “Class Meetings Notices”** the notices for convening the Class Meetings set out on pages 41 to 46 in this circular;
- “Company”** 新疆天業節水灌溉股份有限公司 (Xinjiang Tianye Water Saving Irrigation System Company Limited\*), a joint stock company established in the PRC with limited liability on 18 December 2003 whose H Shares are listed and traded on the Main Board of the Stock Exchange;
- “Company Law”** The Company Law of the PRC as enacted by the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993 and came into force on 1 July 1994, as amended, supplemented or otherwise modified from time to time;
- “connected person(s)”** has the meaning ascribed to it under the Listing Rules;
- “continuing connected transaction(s)”** has the meaning ascribed to it under the Listing Rules;

\* For identification purpose only

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## DEFINITIONS

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<b>“Directors”</b>	the directors of the Company;
<b>“Domestic Shares”</b>	domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB;
<b>“General Mandate”</b>	an unconditional general mandate to issue, allot and deal with the additional Domestic Shares and/or H Shares not exceeding 20% of the issued shares of that class as at the date of passing of the relevant resolution;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong;
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC;
<b>“H Shares”</b>	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\$;
<b>“Independent Board Committee”</b>	independent committee of the board of the Company comprising all independent non-executive Directors, Mr. He Lin Wang, Mr. Xia Jun Min, Mr. Gu Lie Feng and Mr. Mak King Sau, which will be formed to advise the Independent Shareholders in respect of the transactions contemplated under the Master Purchase Agreement;
<b>“Independent Financial Adviser” or “SinoPac”</b>	SinoPac Securities (Asia) Limited, a licensed corporation under the SFO permitted to carry out types 1, 4, 6 and 9 of the regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transactions;
<b>“Independent Shareholders”</b>	Shareholders other than Tianye Holdings and its associates;
<b>“Latest Practicable Date”</b>	17 March 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
<b>“Listing Document”</b>	listing document of the Company dated 30 August 2007;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange;

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## DEFINITIONS

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<b>“Mandatory Provisions”</b>	the Mandatory Provisions for the Articles of Association of the Companies to be Listed Overseas (《到境外上市公司章程必備條款》) issued on 27 August 1994 by the State Council Securities Policy Committee and the State Commission for Restructuring the Economic System;
<b>“Master Purchase Agreement”</b>	the master purchase agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 16 March 2009 for the purchase by the Group from Tianye Holdings Group of the diamond-shaped wheels, packaging films and PVC resins;
<b>“Master Sales Agreement”</b>	the master sales agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 16 March 2009 for the sales by the Group to Tianye Holdings Group of the PVC/PE pipelines, drip films and drip assemblies;
<b>“Old Master Purchase Agreement”</b>	a master purchase agreement entered into between the Company and Tianye Company on 7 February 2006 in respect of purchase of PVC resins, packaging films and stabilizers by the Group;
<b>“Old Purchase Agreement”</b>	a purchase agreement entered into between the Company and Tianye Holdings on 7 February 2006 in respect of purchase of spare parts and used materials by the Group;
<b>“PRC”</b>	the People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
<b>“Proposed Continuing Connected Transaction”</b>	the continuing connected transactions contemplated under the Master Purchase Agreement;
<b>“Repurchase Mandate”</b>	subject to the conditions set out in the proposed resolution approving the repurchase mandate at the AGM and the Class Meetings, the general mandate to be granted to the Board to exercise the power of the Company to repurchase H Shares, the aggregate nominal amount of which shall not exceed 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of the relevant resolution as set out in the AGM Notice and the Class Meetings Notices;
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC;
<b>“SAFE”</b>	State Administration of Foreign Exchange of the PRC (《中華人民共和國國家外匯管理局》) or its successor authority;

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## DEFINITIONS

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<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
<b>“Share(s)”</b>	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;
<b>“Shareholders”</b>	the holders of H Shares and Domestic Shares from time to time;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited;
<b>“Substantial Shareholder(s)”</b>	has the meaning as defined under the Listing Rules;
<b>“Supervisor(s)”</b>	the supervisors of the Company;
<b>“Supervisory Committee”</b>	the supervisory committee of the Company;
<b>“Takeovers Code”</b>	The Hong Kong Code on Takeovers and Mergers;
<b>“Tianye Company”</b>	Xinjiang Tianye Company Limited* (新疆天業股份有限公司), a company established in the PRC with limited liability on 9 June 1997, and 248,832,000 A shares of which were listed on the Shanghai Stock Exchange as at the date hereof;
<b>“Tianye Company Group”</b>	Tianye Company and its subsidiaries;
<b>“Tianye Holdings”</b>	Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司), which was established in the PRC with limited liability on 28 June 1996, was wholly owned by SACC of No. 8 Division and engages in the production and sales of tomato paste, citric acid, vehicles and road transportation, production and sales of plastic products; sale of steel, building, materials, textile, car accessories, livestock products, dried and fresh fruits, mechanical equipment and chemical industrial products; growing, cultivation, promotion of water saving agricultural technology, research on water saving agricultural projects, import and export business. It owns approximately 43.27% of the registered capital of Tianye Company as the date hereof;
<b>“Tianye Holdings Group”</b>	Tianye Holdings and its subsidiaries (including Tianye Company Group but excluding the Group);

\* For identification purpose only

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## DEFINITIONS

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**“Waiver”** the waiver obtained from the Stock Exchange on 28 August 2007 upon application for listing of H Shares of the Company on the Main Board of the Stock Exchange by way of introduction in respect of the application by the Company from the Stock Exchange for waiver from strict compliance with the announcement (but not reporting) and Independent Shareholders’ approval requirements under Rule 14A.42(3) of the Listing Rules for the continuing connected transactions of the Company, in particular, the Old Purchase Agreement and the Old Master Purchase Agreement; and

**“%”** per cent.



**新疆天业节水灌溉股份有限公司**

**XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED\***

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

**(Stock Code: 840)**

*Executive Directors:*

Mr. Guo Qing Ren (*Chairman*)  
Mr. Shi Xiang Shen  
Mr. Li Shuang Quan  
Mr. Zhu Jia Ji

*Independent non-executive Directors:*

Mr. He Lin Wang  
Mr. Xia Jun Min  
Mr. Gu Lie Feng  
Mr. Mak King Sau

*Registered office:*

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

*Principal place of business  
in Hong Kong:*

21/F New World Tower 1,  
18 Queen's Road Central,  
Central,  
Hong Kong

20 March 2009

*To the Shareholders*

Dear Sir or Madam,

- (1) PROPOSED CONTINUING CONNECTED TRANSACTION,  
(2) PROPOSED RE-ELECTION OF SUPERVISORS,  
(3) PROPOSALS FOR GENERAL MANDATE TO ISSUE SHARES,  
(4) PROPOSED GRANT OF GENERAL MANDATE TO REPURCHASE H SHARES  
AND  
(5) NOTICE OF ANNUAL GENERAL MEETING AND CLASS MEETINGS**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information relating to resolutions to be proposed at the AGM and the Class Meetings to be held at No.36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Friday, 8 May 2009.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### 2. PROPOSED CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement issued by the Company on 17 March 2009 (“CCT Announcement”) whereby the Board announced that the Company has entered into the Master Purchase Agreement and Master Sales Agreement with Tianye Holdings in respect of the purchase of diamond-shaped wheels, packaging films and PVC resins and sale of PVC/PE pipelines, drip films and drip assemblies on 16 March 2009. As the applicable percentage ratios (other than profit ratio) under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the Master Sales Agreement is less than 2.5% under Rule 14A.34 of the Listing Rules, the transactions contemplated under Master Sales Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders approval requirements. Details of Master Sales Agreement can be referred to in CCT Announcement.

#### **Details of Master Purchase Agreement**

Date of agreement:	16 March 2009
Parties:	(1) the Company (for itself and on behalf of its subsidiaries); and  (2) Tianye Holdings (for itself and on behalf of its subsidiaries).
Subject:	Purchase of diamond-shaped wheels, packaging films and PVC resins.
Condition Precedent:	The Master Purchase Agreement shall take effect upon obtaining the approval of the Independent Shareholders in compliance with the Listing Rules.
Term:	With effect from the date of approval by the Independent Shareholders up to 31 December 2011.
Price:	To be determined by reference to the market price charged by independent third parties from time to time and pursuant to the terms set out therein by the parties after arm’s length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.
Payment terms:	Details of the payment terms shall be defined in each of the separate contracts to be entered by the Group and Tianye Holdings Group on terms mutually agreed in accordance with the terms and conditions of the Master Purchase Agreement, it is generally expected that the payment shall be made within 1 month from the date of delivery.

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## LETTER FROM THE BOARD

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The annual caps under the Master Purchase Agreement shall not exceed RMB83,940,000, RMB83,940,000 and RMB83,940,000 for the three years ending 31 December 2011 respectively. The proposed annual caps have been determined by reference to the sale price of the related transactions for the two years ended 31 December 2008 and any other relevant factors (including but not limited to increase of cost of raw material) which may have influence on the sale price and the management's view of the Group on the market conditions for the increase in demand for and the unit price of all kinds of diamond-shaped wheels, packaging films and PVC resins taking into account of the increase of cost of raw material in the forthcoming three years. The total historical transaction amounts in respect of purchase of diamond-shaped wheels, packaging films and PVC resins under the Old Purchase Agreement and the Old Master Purchase Agreement for the two years ended 31 December 2008 are RMB60,658,000 and RMB70,216,000.

### **Reasons for the Proposed Continuing Connected Transaction**

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

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

Reference is made to the Listing Document as regards continuing connected transactions, which the Company had previously entered into (1) Old Purchase Agreement and (2) Old Master Purchase Agreement. At the time of application for listing of H Shares of the Company on the Main Board of the Stock Exchange by way of introduction, the Company had applied for a waiver from the Stock Exchange, from strict compliance with the announcement (but not reporting) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules and the Waiver was granted on 28 August 2007. The Waiver was expired on 31 December 2008. The annual caps granted under the Waiver and the historical transaction amounts for each of Old Purchase Agreement and Old Master Purchase Agreement are below:

#### *(1) Old Purchase Agreement*

	<b>Year ended 31 December</b>	
	<b>2007</b>	<b>2008</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Annual caps granted under the Waiver	9,760	9,760
Historical transaction amounts	6,858	9,488

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## LETTER FROM THE BOARD

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(2) *Old Master Purchase Agreement*

	Year ended 31 December	
	2007	2008
	RMB'000	RMB'000
Annual caps granted under the Waiver	61,220	61,220
Historical transaction amounts	53,800	56,688

The Group intends to improve the costs and operational efficiency, and therefore has arranged to enter into Master Purchase Agreement with Tianye Holdings, instead of entering into two purchase agreements with both Tianye Holdings and Tianye Company respectively. Having considered that the factory of Tianye Holdings Group is nearby, the Group can lower the transportation costs if the Group purchases diamond-shaped wheels, packaging films and PVC resins from Tianye Holdings Group. Furthermore, in the event of shortage of any raw material or components in the market, Tianye Holdings Group agrees to give priority to the Group to purchase at the market price the diamond-shaped wheels, packaging films and PVC resins from them. On the other hand, the Group shall not be obliged to purchase the diamond-shaped wheels, packaging films and PVC resins if the Group has other better offer on price for similar quality from independent third parties. In the circumstances, the Directors believe that the Group will maintain its competitiveness in the market with lower purchasing costs and stable supply of raw materials and other components and are not aware of any disadvantage of the Proposed Continuing Connected Transaction.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of an Independent Financial Adviser) consider that the annual caps and the terms of the Master Purchase Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

### **Information relating to the Company and Tianye Company**

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system. They also provide installation service of water saving irrigation system for their customers.

Tianye Company is principally engaged in the production and sale of plastic and chemical products; vehicles transportation; sale of machinery facilities (other than small vehicles and those products required special approval by the government of the PRC), construction material hardware electric apparatus, steel productions grain cotton, textiles products, vehicle accessories, livestock products and dried and fresh fruits; agricultural cultivation, livestock feeding and exploitation of land and

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## LETTER FROM THE BOARD

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agricultural water for use; production and sales of tomato paste; collating, processing and sales of used plastic, import and export of goods and technologies; and processing of agricultural by-products.

### **Listing Rules Implications**

As the date hereof, Tianye Company is a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company, which in turn is owned by Tianye Holdings as to approximately 43.27% of its registered capital and Tianye Holdings is also entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company is considered as a subsidiary of Tianye Holdings. Thus, Tianye Company and Tianye Holdings are the connected persons of the Company. Accordingly, transactions contemplated under the Master Purchase Agreement constitute a continuing connected transaction for the Company under the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) under Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the Master Purchase Agreement is more than 2.5% and the annual consideration is more than HK\$10,000,000, the continuing connected transactions contemplated under the Master Purchase Agreement, together with the proposed annual caps, are subject to reporting, announcement and independent shareholders' approval requirements under Rules 14A.35(3) and (4) of the Listing Rules. An Independent Board Committee of the Company is formed to advise the Independent Shareholders on the terms of the Master Purchase Agreement. SinoPac is appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Tianye Holdings and its associates will abstain from voting at the AGM and the vote to be taken at the AGM with respect of the Proposed Continuing Connected Transaction and proposed annual caps shall be conducted by poll.

### **3. PROPOSED RE-ELECTION OF SUPERVISORS**

The Supervisory Committee currently consists of two Supervisors representing the Shareholders and one Supervisor representing the staff and workers of the Company. In accordance with Articles 13.02 and 13.03 of the Articles of Association, the term of appointment of each Supervisor shall be three years. The appointment or removal of the Supervisors representing the Shareholders is approved by Shareholders at the general meetings whereas the appointment and removal of the Supervisor representing the staff and workers of the Company are approved by the Association representing the staff and workers of the Company where appropriate.

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## LETTER FROM THE BOARD

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All Supervisors representing the shareholders of the Company shall be re-elected at the AGM for a term of three years. Accordingly, the following Supervisors will retire at the AGM and, being eligible, will immediately thereafter offer themselves for re-election at the AGM:

**Mr. He Jie**

*Experience*

Mr. He, aged 63, is a supervisor. Mr. He graduated from Tianjin Light Industry College in 1968 with a major in Plastic Modeling and Processing. He obtained a senior engineer qualification as approved by the Office of Professional Technical Staff of Xinjiang Uygur Autonomous Region in 1992. He has been a supervisor since he joined the Group in April 2005.

*Other directorship*

Save as disclosed above, Mr. He has not held any directorship in any other listed company in the last three years before the Latest Practicable Date.

*Length of service*

Mr. He will enter into a service agreement with the Company with effect from the date of passing of the relevant resolution at the AGM for a term of three years.

*Supervisor's emoluments*

Mr. He will receive his annual emoluments to be determined by the Board subject to the authorization by the Shareholders with reference to his duties and responsibilities with the Company, qualification, professional experience and the then market condition. His emoluments for the financial year ended 31 December 2008 amounted to RMB30,000. Further announcement will be made once his emolument is determined.

*Relationships*

Mr. He has no relationship with any Director, supervisor or the senior management of the Company, or with any management Shareholder, Substantial Shareholder or controlling Shareholder of the Company.

*Interests in Shares*

So far as the Directors are aware as at the Latest Practicable Date, Mr. He does not have any interest in the Shares (within the meaning of Part XV of the SFO).

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## LETTER FROM THE BOARD

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### *Matters that need to be brought to the attention of the Shareholders*

Save as disclosed above, there are no other matters concerning Mr. He that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. He required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### **Mr. Huang Jun Lin**

#### *Experience*

Mr. Huang, aged 69, is a supervisor. Mr. Huang graduated from Xinjiang University in 1990 with a major in political theory. He is a senior administrator, and an outstanding caliber in Shihezi. He has been a supervisor since he joined the Group in April 2005.

#### *Other directorship*

Save as disclosed above, Mr. Huang has not held any directorship in any other listed company in the last three years before the Latest Practicable Date.

#### *Length of service*

Mr. Huang will enter into a service agreement with the Company with effect from the date of passing of the relevant resolution at the AGM for a term of three years.

#### *Supervisor's emoluments*

Mr. Huang will receive his annual emoluments to be determined by the Board subject to the authorization by the Shareholders with reference to his duties and responsibilities with the Company, qualification, professional experience and the then market condition. His emoluments for the financial year ended 31 December 2008 amounted to RMB30,000. Further announcement will be made once his emolument is determined.

#### *Relationships*

Mr. Huang has no relationship with any Director, supervisor or the senior management of the Company, or with any management Shareholder, Substantial Shareholder or controlling Shareholder of the Company.

#### *Interests in Shares*

So far as the Directors are aware as at the Latest Practicable Date, Mr. Huang has 53,248 Domestic Shares of the Company, representing 0.012% of the shareholding of the total issued share capital of the Company.

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## LETTER FROM THE BOARD

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*Matters that need to be brought to the attention of the Shareholders*

Save as disclosed above, there are no other matters concerning Mr. Huang that need to be brought to the attention of the Shareholders. Nor is there any information regarding Mr. Huang required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

#### **4. GENERAL MANDATE TO ISSUE SHARES**

In order to ensure flexibility when it is desirable to allot additional Shares, the Directors will seek the approval of the Shareholders to grant new General Mandate to issue Shares at the AGM.

The Company has in issue an aggregate of 519,521,560 Shares as at the Latest Practicable Date. Special resolution no. 1 as set out in the AGM Notice (the “**Special Resolution No. 1**”) will be proposed at the AGM, namely (i) to grant to the Directors a General Mandate to issue, allot and deal with additional Shares up to a maximum of 103,904,000 Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company of that class as at the date of passing of the Special Resolution No. 1 on the basis that no further Shares will be issued or repurchased by the Company prior to the AGM; and (ii) to increase the number of existing share capital of the Company up to a maximum of 20% of the aggregate nominal amount of share capital of the Company which the Directors may issue under the General Mandate if given in the Special Resolution No. 1 as at the date of passing of the Special Resolution No. 1.

#### **5. PROPOSED GRANT OF REPURCHASE MANDATE TO THE DIRECTORS**

The Company Law, the Mandatory Provisions and the Articles of Association provide for certain restrictions on share repurchase which are applicable to all classes of shares of the Company.

The Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; or (d) the repurchase is made at the request of its shareholders who disagrees with shareholders’ resolutions in connection with a merger or division. The Mandatory Provisions, which the Company has incorporated in the Articles of Association, provide that subject to obtaining the approval of the relevant PRC regulatory authorities and in compliance with the Articles of Association, the Company may repurchase its issued shares for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its Shares or in circumstances permitted by laws or administrative regulations.

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## LETTER FROM THE BOARD

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The Listing Rules permit the shareholders of a PRC joint stock limited company to grant a general mandate to its directors to repurchase shares of such company that is listed on the Stock Exchange. Such mandate is required to be given by way of a special resolution passed by its shareholders in general meeting and special resolutions passed by holders of domestic shares and holders of overseas listed foreign shares at separate meetings.

H Shares are traded on the Stock Exchange in Hong Kong dollars. Therefore, the repurchase of H Shares by the Company is subject to the approval of the SAFE (or its successor authority), and the price payable by the Company upon any repurchase of H Shares will be paid in Hong Kong dollars.

In accordance with the requirements of the Articles of Association applicable to capital reduction, the Company will have to notify its creditors of the passing of the resolution for the reduction of the registered capital of the Company. In addition, the Company Law provides that the shares repurchased by a company will have to be cancelled and the registered capital of that company will therefore be reduced by an amount equivalent to the aggregate nominal value of the shares so cancelled. In the event of a reduction of registered capital, the Company shall inform its creditors by way of written notice and announcement within a prescribed period after the passing of the relevant resolutions approving such reduction. The creditors shall be entitled to request the Company for repayment of loan and/or provision of guarantee. The statutory notification requirement allows the creditors an opportunity for the recovery and/or security of the debt (in particular for those unsecured debts) where the Company's registered capital is to be reduced.

### **Conditions to repurchase of H Shares**

In order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to repurchase any H Shares (including where such repurchase may lead to an enhancement of the net asset value per Share and/or the earnings per Share), approval is proposed to be sought from the Shareholders for the grant of the Repurchase Mandate to the Directors. In accordance with the legal and regulatory requirements described above, the Directors give notices to convene the AGM and the Class Meetings. At each such meeting, a special resolution will be proposed to grant to the Directors the Repurchase Mandate, i.e. a conditional general mandate to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value not exceeding 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of such special resolution.

The Repurchase Mandate will be conditional upon (a) the special resolution for approving the grant of the Repurchase Mandate being passed at each of the AGM and the Class Meetings; and (b) the approvals of SAFE (or its successor authority) and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate. If the above conditions are not fulfilled, the Repurchase Mandate will not be exercisable by the Directors.

The Repurchase Mandate would expire on the earlier of (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of a period of twelve months following the passing of the relevant resolution at the AGM and the Class Meetings; or (c)

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## LETTER FROM THE BOARD

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the date on which the authority conferred by the special resolution is revoked or varied by a special resolution of the Shareholders in a general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares at their respective class meetings.

The H Shares which may be repurchased by the Company pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of the resolution approving the Repurchase Mandate at the AGM and the Class Meetings.

An explanatory statement giving certain information regarding the Repurchase Mandate is set out in the Appendix II to this circular.

### **6. ACTION TO BE TAKEN**

Each Shareholder who has the right to attend and vote at the AGM and the Class Meetings, is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and, on a poll, vote on his behalf at the AGM and the Class Meetings. Forms of proxy for use by the Shareholders at the AGM and the Class Meetings are enclosed. Whether or not you intend to be present at the AGM and the Class Meetings, you are requested to complete and return the form of proxy in accordance with the instructions thereon to the Hong Kong H share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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 AGM and the Class Meetings or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM and the Class Meetings or any adjourned meeting should you to wish.

### **7. CLOSURE OF REGISTER OF MEMBERS**

For the purpose of the AGM and the Class Meetings, the register of the members of the Company will be closed from Friday, 17 April 2009 to Friday, 8 May 2009 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the AGM and the Class Meetings, 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 4 p.m. on Thursday, 16 April 2009.

### **8. RESPONSIBILITY STATEMENT**

This circular includes particulars given in company with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their

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## LETTER FROM THE BOARD

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knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

### 9. RECOMMENDATION

The Directors consider that all the proposed resolutions as set out in the AGM Notice and the Class Meetings Notices 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 AGM and the Class Meetings in respect thereof.

Yours faithfully  
For and on behalf of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Guo Qing Ren**  
*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)**

20 March 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED CONTINUING CONNECTED TRANSACTION**

We refer to the circular dated 20 March 2009 issued to the Shareholders (the “Circular”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Proposed Continuing Connected Transaction and not having any interest in the transactions contemplated under the Proposed Continuing Connected Transaction, we have been appointed by the Board to advise you as to whether, in our opinion, the terms and the proposed annual cap of the Proposed Continuing Connected Transaction are fair and reasonable so far as the Independent Shareholders as a whole are concerned. SinoPac has been appointed as the Independent Financial Adviser to advise us in this respect.

We wish to draw your attention to the letter from the Board in relation to the Proposed Continuing Connected Transaction as set out on pages 6 to 16 of the Circular and the letter from SinoPac as set out on pages 18 to 26 of the Circular. Having considered the principal factors and reasons considered by, and the advice of, SinoPac as set out in its letter of advice, we consider that the Proposed Continuing Connected Transaction is fair and reasonable so far as the Independent Shareholders are concerned, and is in the best interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Proposed Continuing Connected Transaction and the proposed annual caps.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**He Lin Wang, Xia Jun Min, Gu Lie Feng, Mak King Sau**  
*Independent Board Committee*

\* *For identification purpose only*

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## LETTER FROM SINOPAC

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*The following is the letter of advice from SinoPac to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.*



永豐金證券(亞洲)有限公司  
SinoPac Securities (Asia) Limited

23rd Floor, Two International Finance Centre  
No.8 Finance Street, Central, Hong Kong

20 March 2009

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sir or Madam,

### PROPOSED CONTINUING CONNECTED TRANSACTION

#### 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 continuing connected transactions under the Master Purchase Agreement with its proposed annual caps, particulars of which are set out in the Letter from the Board (“**Letter from the Board**”) as contained in the circular of the Company to the Shareholders dated 20 March 2009 (“**Circular**”), of which this letter form part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

On 16 March 2009, the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) entered into the Master Purchase Agreement pursuant to which the Group agreed to purchase diamond-shaped wheels, packaging films and PVC resins (“**Spare Parts**”) from Tianye Holdings Group.

As Tianye Company, is a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company, and is owned as to approximately 43.27% of the registered capital of the Company by Tianye Holdings. Therefore, Tianye Company and Tianye Holdings are the connected persons of the Company and the transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions of the Company as defined under the Listing Rules. As each of the applicable percentage ratios (other than the profit ratio) for the proposed annual caps under the Master Purchase Agreement for each of the three financial years ending 31 December 2011 are expected to exceed 2.5% and the annual consideration under the Master Purchase Agreement is expected to exceed HK\$10,000,000, the Proposed Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM SINOPAC

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The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. He Lin Wang, Mr. Xia Jun Min, Mr. Gu Lie Fung and Mr. Mak King Sau has been formed to advise the Independent Shareholders as to whether (i) the terms of the Proposed Continuing Connected Transactions are on normal commercial terms, 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 (ii) the proposed annual caps under the Master Purchase Agreement for each of the three financial years ending 31 December 2011 are fair and reasonable. We, SinoPac Securities (Asia) Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information, financial information and facts supplied, and the opinions expressed, by the executive Directors and/or management of the Company and have assumed that the information, financial information and facts provided and opinions expressed to us, or referred to in the Circular are true, accurate and complete in all material aspects at the time they were made. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. 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. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have, however, not conducted any independent investigation into the business and affairs of the Group and Tianye Holdings Group, nor have we carried out any independent verification of the information supplied. We have no reason to believe that any material information has been withheld, nor to doubt the truth or accuracy of the information provided. We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation and are in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our view on the Proposed Continuing Connected Transactions, we have taken into consideration the principal factors and reasons as set out below. In reaching our conclusion, we have considered the results of the analysis in light of each other and ultimately reached our opinion based on the results of all analysis taken as a whole.

### **Background and reasons for entering into Master Purchase Agreement**

The Group is principally engaged in the design, manufacturing and sale of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system. They also provide installation service of water saving irrigation system for their agricultural customers.

Tianye Holdings Group is principally engaged in different kinds of businesses, including the production and sale 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 sale 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.

On 7 February 2006, the Group entered into the Old Purchase Agreement and Old Master Purchase Agreement, pursuant to which the Group agreed to purchase spare parts including but not limited to diamond-shaped wheels, used drip films, PVC resins, contracting films, internal films and stabilizers, from Tianye Holdings Group on an on-going basis. On 16 March 2009, the Group and Tianye Holdings Group entered into the Master Purchase Agreement to purchase the Spare Parts. The Directors advised that the entering into the Master Purchase Agreement ensures stable and continuing supply of Spare Parts for the production of the Group. As the Group and Tianye Holdings Group are both situated in Xinjiang, an autonomous region in the PRC, the Directors advised that the Group will be benefit from lower transportation cost and efficient delivery for procurement from Tianye Holdings Group.

Having considered the aforesaid and the business nature of the Group and Tianye Holdings Group, we concur with the Directors' view that the Proposed Continuing Connected Transactions are in the ordinary and usual course of business of the Group.

**Principal terms of the Master Purchase Agreement**

Pursuant to the Master Purchase Agreement, the purchase price will be determined from time to time after arm's length negotiation between the parties with reference to the market price, and will be payable by the Group under the terms to be defined in each of the separate contracts to be entered into between the Group and Tianye Holdings Group. It is generally expected that the payment by the Group shall be made within one month from the date of delivery.

In order to assess the fairness and reasonableness of the pricing basis and payment terms under the Master Purchase Agreement, we have (i) discussed with the management of the Company in relation to the commercial terms (including the pricing basis and payment terms) offered by Tianye Holdings Group in relation to the purchase of Spare Parts; (ii) reviewed the cost structure of diamond-shaped wheel and packaging film (iii) reviewed the historical price trend of PVC resin in the PRC; and (iv) reviewed the sample copies of supply contracts entered into between the Group and its independent suppliers for the purchase of PVC resins. We understand that (i) Tianye Holdings Group has the proprietary technology in the production of diamond-shaped wheel in the PRC; (ii) the packaging films are solely provided by Tianye Holdings Group in view of delivery cost efficiency; (iii) the pricing of the diamond-shaped wheels and packaging films is based on actual cost of production; (iv) the payment terms for the purchase of diamond-shaped wheels and packaging films are based on normal commercial terms comparing to the Group's purchase of other raw materials and parts or components of production facilities; and (v) the payment terms (including the prices and settlement terms) for purchasing PVC resin from Tianye Holdings Group are comparable to and no less favourable than that offered by other independent suppliers.

Pursuant to the Master Purchase Agreement, the Group shall not be obliged to purchase the Spare Parts from Tianye Holdings Group and is able to purchase the Spare Parts from other independent suppliers if the Group has other better offer on price and/or quality of products from other independent suppliers. The Group also has the first priority to purchase the Spare Parts from Tianye Holdings Group under the same payment terms (including the prices and the payment terms) offered by Tianye Holdings Group to its customers. As such, we consider that the Master Purchase Agreement provide commercial flexibility to the Group for purchasing Spare Parts with competitive price and payment terms.

Having considered that (i) the pricing and payment terms for purchasing diamond-shaped wheels, packaging films and PVC resins from Tianye Holdings Group under the Master Purchase Agreement are similar to those offered by other independent suppliers; and (ii) the commercial flexibility to the Group for purchasing Spare Parts with competitive price and payment terms, we consider that the terms of the Master Purchase Agreement are on normal commercial terms and fair and reasonable in so far as the Independent Shareholders are concerned.

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## LETTER FROM SINOPAC

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### Proposed Annual Caps

The table below sets forth the proposed annual caps in respect of the Proposed Continuing Connected Transactions for each of the three years ending 31 December 2011.

	For the year ending 31 December		
	2009	2010	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed annual caps	83,940,000	83,940,000	83,940,000

As set out in the Letter from the Board, the proposed annual caps in respect of the Proposed Continuing Connected Transactions were determined by the Company after taking into account of the following factors:

1. The prices of the transactions contemplated under the Old Purchase Agreement and Old Master Purchase Agreement for each of the two financial years ended 31 December 2008;
2. Factors affecting the cost of raw materials which may influence on the sale price of the Spare Parts; and
3. Market conditions for the demand of and the unit price of diamond-shaped wheels, packaging films and PVC resins and taking into account of the increase in cost of raw material in the three financial years ending 31 December 2011.

We have discussed with the management of the Company on their basis and assumptions underlying the determination of the proposed annual caps in respect of the Proposed Continuing Connected Transactions and have assessed the fairness and reasonableness of the annual caps based on the following factors:

- (i) the historical purchase pattern and transaction values for the Spare Parts by the Group during the past two financial years ended 31 December 2008;
- (ii) the material mixture, usage and its respective cost structure in the production process of the Group in relation to consumption of the Spare Parts; and
- (iii) the estimated demand of the Spare Parts.

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## LETTER FROM SINOPAC

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### *Diamond-shaped wheels*

We have reviewed the past consumption of the diamond-shaped wheels and note that diamond-shaped wheel is one of the major parts of machinery producing drip films. For each of the two financial years ended 31 December 2008, the historical purchase of diamond-shaped wheels from Tianye Holdings Group amounted to approximately RMB2,510,000 and RMB9,488,000 respectively, representing an increase of approximately 2.78 times. Such increase in purchase of diamond-shaped wheels is due to the expansion of the production lines of drip films from 182 production lines in 2007 to 360 production lines in 2008, which in turn increased the replacement number for damaged diamond-shaped wheels.

The Group's consumption of diamond-shaped wheels is mostly for the replacement of the damaged diamond-shaped wheels and the expansion of the production lines. We have discussed with the management of the Company and note that the annual replacement rate was steady and approximately 10% of total amount of diamond-shaped wheels of the Group in the past two financial years and the management advised us that the number of production lines of the Group will remain unchanged in the coming three years.

Based on the estimated replacement rate of approximately 10% for each of the three financial years ending 31 December 2011 and 360 production lines of the Group, the projected purchases of diamond-shaped wheels for each of the three years ending 31 December 2011 will be approximately RMB5,580,000. We concur with the Directors' view that the above basis and assumptions with respect to annual caps for the purchase of diamond-shaped wheels are justified and reasonable.

### *PVC resin*

We have reviewed the production schedule of the Group and the purchase orders of the PVC resin for the production of PVC pipelines of the Group. We are advised by the management of the Group that the purchase of PVC resins is directly related to the production volume of PVC pipelines.

For each of the two financial years ended 31 December 2008, the purchase of PVC resins from Tianye Holdings Group were amounted to approximately RMB51,516,000 and RMB54,000,000 respectively, representing an increase of approximately 4.82%. Such increase in demand of PVC resins was in line with the increase in sale of PVC pipelines by the Group during the same period.

We have reviewed the projection of the Group's sale of PVC pipelines and consumption of PVC resins for the year ended 2009 and 2010 and the assumptions therein. The projections for the sale of PVC pipelines and the use of PVC resins are based on the actual amounts recorded in 2007 and 2008 and taking into account of the steady sales growth in 2008. According to the projections, the total amount of PVC resins consumed by the Group will be more than RMB75 million. In order to reduce the reliance on Tianye Holdings Group, the Directors has limited the maximum amount of the PVC resins to be purchased from Tianye Holdings Group for not more

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## LETTER FROM SINOPAC

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than RMB75 million for each of the three years ending 31 December 2011. We consider that the projection prepared by the Group for the amount of PVC resins to be consumed is fair and reasonable and the strategy to limit the reliance of PVC resins supply from Tianye Holdings Group is in the interest of the Company and its Shareholders.

We have discussed with the management of the Company regarding the price of PVC resins. We note that the price of PVC resins was fluctuated in the past few years. Although the current market price of the PVC resins is lower than the past two years, there is no certainty that the PVC resins will not rise again in the future. We concur with the Directors' view that the projection for the purchase of PVC resins is based on the stable price of and steady market supply of PVC resins as the assumption at the high end price of the PVC resins may over estimate the annual caps for the purchase of PVC resins.

Having considered (i) the purchase of PVC resins for each of the two years ended 31 December 2008; (ii) the projected sales of PVC pipelines for each of the three financial years ending 31 December 2011 and the Group's strategy in less reliance on supply of PVC resins from a major supplier and/or connected person(s); (iii) the assumption of steady price of PVC resin; and (iv) the basis for the required volume of PVC resins for producing every tone of PVC pipelines; we concur with the Directors' view that the expected amount for the purchase of PVC resins for each of the three years ending 31 December 2011 is reasonable.

### *Demand of packaging films*

For each of the two financial years ended 31 December 2008, the purchase of packaging films from Tianye Holdings Group amounted to approximately RMB2,285,000 and RMB2,688,000 respectively, representing an increase of approximately 17.64%. Such increase was in line with the increased sale of drip films from 2007 to 2008. As the packaging films are used to pack up drip films for sale, the demand of packaging films is closely related to the sale of drip films.

We have reviewed the consumption schedule of the package films used by the Group in its production and have discussed with the Directors regarding the market price of packaging film. The Directors are of the view that the market price of the packaging film will be steady due to demand for drip films are expected to have a moderate increase during the financial year ending 31 December 2009 hence a steady demand for packaging films. We consider the Directors' view on the demand of packaging film is fair and reasonable.

Having considered (i) purchase of packaging films for each of the two financial years ended 31 December 2008; (ii) the projected sales of drip films in volume for each of the three financial years ending 31 December 2011; and (iii) the basis for using packaging films in quantity for packing up drip films, we concur with the Directors' view that the expected amount for the purchase of packaging films for each of the three years ending 31 December 2011 is reasonable.

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## LETTER FROM SINOPAC

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In view of the fluctuation of the cost of raw materials in the Spare Parts which may lead to increase the aggregate purchase amount for the Spare Parts. If the aggregate value of the Proposed Continuing Connected Transactions exceeds the proposed annual caps mentioned above, the Company will comply with all relevant requirements of Chapter 14A of the Listing Rules.

In connection to the above, we have also discussed with the Directors and are advised that the determination of the estimated demand of the Spare Parts as above is based on the actual quantities of the Spare Parts consumed during 2007 and 2008 and the estimated prices for the Spare Parts are based on the similar terms provided by the independent suppliers.

In view of the above and the recurring nature of the Proposed Continuing Connected Transactions, we consider that the proposed annual caps for each of the three financial years ending 31 December 2011 are reasonable.

### **REQUIREMENTS OF THE LISTING RULES**

Pursuant to 14A.17 to 14A.40 of the Listing Rules, the Proposed Continuing Connected Transactions are subject to the following annual review requirement:

- (i) the independent non-executive Directors of the Company will review the continuing connected transactions and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the group than terms available to or from (as appropriate) independent third parties; and
  - (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the auditors will review the continuing connected transactions and issue a letter to the board confirming that the continuing connected transactions:
  - (a) have received the approval of the board of Directors;
  - (b) are conducted in accordance with the pricing policies of the group in respect of transactions involving provision of goods and services by the Group;
  - (c) have been entered into in accordance with the relevant agreements governing the transactions; and
  - (d) have not exceeded the relevant annual caps; the board of Directors must state in the annual report whether the auditors have made such confirmation in relation to the continuing connected transactions; and

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## LETTER FROM SINOPAC

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- (iii) the Company will promptly notify the Stock Exchange and publish an announcement if it believes that the independent non-executive directors and/or the auditors will not be able to issue the aforesaid confirmation.

As the value of the Proposed Continuing Connected Transactions would be restricted by way of the respective proposed annual caps and the conduct of those transactions would be reviewed by the independent non-executive Directors and auditors of the Company as mentioned above, we are of the view that there are appropriate measures to govern the future execution of the Proposed Continuing Connected Transactions and to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Based on the above principal factors and reasons, we consider that the terms of the Master Purchase Agreement and its proposed annual caps are fair and reasonable and that the entering into the above Proposed Continuing Connected Transactions is in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders, and we ourselves advise the Independent Shareholders, to vote in favour of the resolutions in relation to the Proposed Continuing Connected Transactions and its proposed annual caps for each of the three years ending 31 December 2011 to be proposed at the AGM.

Yours faithfully,  
For and on behalf of

**SinoPac Securities (Asia) Limited**

**Paul Lui**  
*Director*

**Bruce Tsang**  
*Associate Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors, supervisors and chief executive of the Company

*Directors', Supervisors' and Chief Executives' interests in Shares, underlying Shares and Debentures*

- (a) As at the Latest Practicable Date, the interests of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the “SFO”) had applied to the Supervisors) or chief executives of the Company, including their respective associates, in the Shares and/or underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) of the Listing Rules on the Stock Exchange, were as follows:

Name of Directors/ Supervisors	Name of companies/ associated corporations	Capacity	Number and class of securities (Note 1)	Approximate percentage of shareholding
Guo Qing Ren (Director)	Xinjiang Tianye Company Limited ("Tianye Company") (Note 2)	Beneficial owner	46,080 Domestic Shares (L)	0.011%
Shi Xiang Shen (Director)	Tianye Company	Beneficial owner	34,864 Domestic Shares (L)	0.008%
Huang Jun Lin (Supervisor)	Tianye Company	Beneficial owner	53,248 Domestic Shares (L)	0.012%

Notes:

- The letter “L” represents the Directors’ and Supervisors’ long positions in such securities.
- Tianye Company is a company established in the PRC with limited liability on 9 June 1997, and 248,832,000 A shares of which are listed in the Shanghai Stock Exchange.

- (b) As at the Latest Practicable Date, other than as disclosed above, none of the Directors, Supervisors and chief executives of the Company nor their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporation.

### Substantial shareholders of the Company

#### (A) Substantial Shareholders

As at the Latest Practicable Date, the register of Substantial Shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than a Director, Supervisor or chief executives) had notified the Company of relevant interests and short positions in the Shares or underlying Shares of the Company:

Name	Type/nature of interest	Capacity	Number of the Domestic Shares of the Company held (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Tianye Company	Corporate	Beneficial owner	202,164,995 (L)	38.91% (Note 3)
Xinjiang Tianye (Group) Limited ("Tianye Holdings") (Note 4)	Corporate	Interest in controlled corporation	202,164,995 (L)	38.91%
Guo Shu Qing (Note 5)	Personal	Beneficial owner	61,386,798 (L)	11.82%
Wang Xiao Xian (Note 6)	Personal	Beneficial owner	50,335,128 (L)	9.69%

#### Notes:

- "L" denotes the person's/entity's long positions in the Shares.
- The approximate percentage of shareholding is calculated with reference to the total issued Share of 519,521,560 Shares (including Domestic Shares and H Shares).
- The Domestic Shares held by Tianye Company were equivalent to approximately 63.75% of the total Domestic Shares in issue.
- The Domestic Shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings, which is interested in approximately 43.27% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 Domestic Shares held by Tianye Company.
- The Domestic Shares held by Guo Shu Qing were equivalent to approximately 19.36% of the total Domestic Shares in issue.

6. The Domestic Shares were held by Wang Xiao Xian were equivalent to approximately 15.87% of the total Domestic Shares in issue.

*(B) Other persons who are required to disclose their interests pursuant to Division 2 and 3 of Part XV of the SFO*

As at 31 December 2008, save for the persons or entities disclosed in sub-section (A) above, the following persons or entities (other than a Director, Supervisor or chief executives of the Company) had notified the Company of relevant interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO:

Name of shareholders	Type of interest	Capacity	Number of H Shares of the Company held (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Julius Baer Multipartner SICAV, Luxembourg	Corporate	Investment manager	18,514,000 (L)	3.56% (Note 3)

*Notes:*

1. "L" denotes the person's/entity's long positions 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 Julius Baer Multipartner SICAV, Luxembourg were equivalent to approximately 9.15% of the total H Shares in issue.

As at the Latest Practicable Date, save as disclosed above, the Company was not aware of any persons (other than the Directors, the Supervisors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company.

Save as disclosed above and so far as the Directors are aware, as at the Latest Practicable Date, no other person had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors, proposed directors, supervisors or proposed supervisors of the Company had any existing or proposed service contract with any member of the Group excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### 4. INTEREST IN CONTRACT

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group, and which was significant in relation to the business of the Group.

#### 5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

#### 6. COMPETING INTEREST

As at the Latest Practicable Date, none of the directors of the Company and its subsidiaries, or their respective associates has interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries.

#### 7. EXPERT

The following sets out the qualifications of the expert which has given its opinion or advice as contained in this circular:

Name	Qualifications
SinoPac Securities (Asia) Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in schedule 5 to the SFO

- (a) As at the Latest Practicable Date, SinoPac was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2008), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) SinoPac does not have 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 which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Company were made up.

- (c) SinoPac has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) The letter and recommendation given by SinoPac are given as of the date of this circular for incorporation herein.

## **8. LITIGATION**

No member of the Company and its subsidiaries is at present engaged in any litigation or arbitration of material importance to the Company and its subsidiaries and no litigation or claim of material importance to the Company and its subsidiaries is known to the Directors or the Company to be pending or threatened by or against any member of the Company and its subsidiaries.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Master Purchase Agreement, the old Purchase Agreement, the old Master Purchase Agreement, the consent letter and the letter of advice from SinoPac are available for inspection at the principal place of business in Hong Kong of the Company at 21/F New World Tower 1, 18 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including 3 April 2009.

## **10. MISCELLANEOUS**

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The registered and head office of the Company is situated at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC.
- (c) The place of business of the Company in Hong Kong is at 21/F New World Tower 1, 18 Queen's Road Central, Hong Kong.
- (d) The Hong Kong share registrar and transfer office of the company 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) The secretary to the Board of the Company is Chow Yuk Lan. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to enable you to make an informed decision on whether to vote for or against the special resolution to approve the grant of the Repurchase Mandate to the Directors.

### **LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below. The Company is empowered by the Articles of Association to repurchase its own securities.

### **SHARE CAPITAL**

As at the Latest Practicable Date, the registered share capital of the Company was RMB519,521,560 comprising 317,121,560 Domestic Shares and 202,400,000 H Shares. Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the AGM and the Class Meetings, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 20,240,000 H Shares, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolution.

### **REASONS FOR THE REPURCHASE**

The Directors believe that the Repurchase Mandate is in the interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

### **FUNDING OF REPURCHASES**

In repurchasing its H Shares, the Company may only apply funds from the Company's internal resources legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws, rules and regulations of the PRC, including but not limited to surplus funds and undistributed profits of the Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with its position as at 31 December 2008, being disclosed in the Company's latest published audited accounts contained in the annual report for the year ended 31 December 2008. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company. The number of H Shares to

be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing, in the best interests of the Company.

### STATUS OF REPURCHASED H SHARES

The Listing Rules provide that the listing of all the H Shares repurchased by the Company shall automatically be cancelled and the relevant share certificates shall be cancelled and destroyed. Under the PRC laws, the H Shares repurchased by the Company will be cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled.

### H SHARE PRICES

The highest and lowest prices at which the H Shares have traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	<b>Highest</b> <i>(HK\$)</i>	<b>Lowest</b> <i>(HK\$)</i>
<b>2008</b>		
April	2.50	2.00
May	2.50	1.98
June	2.10	1.66
July	1.80	1.04
August	1.33	0.83
September	1.10	0.55
October	0.94	0.30
November	0.88	0.38
December	0.71	0.43
<b>2009</b>		
January	0.69	0.44
February	0.85	0.48
March (up the Latest Practicable Date)	0.67	0.50

### DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

**DISCLOSURE OF INTERESTS**

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell to the Company any of the H Shares in the Company if the Repurchase Mandate is approved at the AGM and the Class Meetings.

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Xinjiang Tianye Company Limited was the Substantial Shareholder, which held 202,164,995 Domestic Shares, representing approximately 38.91% of the registered capital of the Company. On the basis that 519,521,560 Shares in issue as at the Latest Practicable Date and assuming that no other Shares will be issued or repurchased by the Company on or prior to the date of the AGM and the Class Meetings, if the Repurchase Mandate were exercised in full, the percentage interests in the Company of Xinjiang Tianye Company Limited and its associates would increase to approximately 40.49% of the then registered share capital of the Company. The Directors are not aware of any consequences which will arise under the Takeovers Code as a result of any repurchases to be made under the Repurchase Mandate. Moreover, the Directors will not make share repurchase on the Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

As at the Latest Practicable Date, no connected person of the Company has notified the Company that he/she/it has a present intention to sell any H Shares nor has such connected person undertaken not to sell any of the securities held by him/her/it to the Company in the event that the Repurchase Mandate is granted.

**SECURITIES REPURCHASE MADE BY THE COMPANY**

The Company had not purchased any H Shares (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting (the “AGM”) 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 PRC on Friday, 8 May 2009 at 11:00 a.m. for the following purposes and to pass the following resolutions:

#### ORDINARY RESOLUTIONS

1. To consider and approve the report of the directors (the “**Directors**”) of the Company for the year ended 31 December 2008;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2008;
3. To consider and approve the audited financial statements of the Company and its subsidiary and the auditors’ report for the year ended 31 December 2008;
4. To consider and approve the resolution for making appropriation to statutory surplus reserve fund for the year ended 31 December 2008;
5. To authorize the board of Directors of the Company (“the Board”) to fix the remuneration of the Directors and the supervisors (“Supervisors”) of the Company for the year 2009;
6. To consider and approve the re-election of the Supervisors representing the shareholders of the Company (the “Shareholders”) and to authorise the Board to determine their remunerations;
7. To consider and approve the re-appointment of SHINEWING (HK) CPA Limited as auditors of the Company and to authorize the Board to fix their remunerations;

\* For identification purpose only

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## NOTICE OF ANNUAL GENERAL MEETING

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8. To consider and approve that:
- (a) the agreement (the “Master Purchase Agreement”) dated 16 March 2009 entered into between the Company and Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) (“Tianye Holdings”) (a copy of which is produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose) in relation to the purchase by the Group on an ongoing basis of certain diamond-shaped wheels, packaging films and PVC resins which may be required by the Group, and the terms of and the transactions contemplated under the Master Purchase Agreement and the implementation thereof be and are hereby approved, confirmed and ratified; and
  - (b) the proposed caps in relation to the transactions under the Master Purchase Agreement for the period from the date on which the Master Purchase Agreement becomes effective until the end of the financial year ending 31 December 2011 will not exceed RMB83,940,000, RMB83,940,000 and RMB83,940,000 respectively be and are hereby approved; and
  - (c) any one director of the Company, be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Purchase Agreement.”

### SPECIAL RESOLUTIONS

1. “**THAT:**

- (A) there being granted to the Board an unconditional general mandate to issue, allot and deal with additional domestic shares of nominal value of RMB1.00 each in the registered capital of the Company (the “**Domestic Shares**”) and/or overseas-listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company (the “**H Shares**”), to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
  - (a) the aggregate number of Domestic Shares and/or H Shares to be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Board shall not exceed 20% of the issued share capital of that class as at the date of passing of this resolution;
  - (b) such mandate shall not extend beyond the period from the passing of this resolution until whichever is the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;

\* For identification purpose only

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the expiration of the 12-months period following the passing of this resolution; or
    - (iii) the date on which the authority as set out in this resolution is revoked or varied by a special resolution of the Shareholders of the Company in a general meeting.
  - (c) the Board will only exercise its power under such mandate in accordance with the Company Law of the People's Republic of China (the "**PRC**"), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as may be amended from time to time) and other relevant laws and regulations of Hong Kong and the PRC, and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;
- (B) contingent on the Board resolving to issue additional shares pursuant to (A) above, the Board be authorised to:
- (a) increase the registered capital of the Company in accordance with the issue of the Domestic Shares and/or H Shares aforesaid, and attend to the relevant registration procedures with the relevant authorities in the PRC and Hong Kong;
  - (b) make appropriate amendments to the relevant provisions in articles of association of the Company (the "**Articles of Association**") in relation to the registered capital of the Company and any other articles that require corresponding amendments so as to reflect the change in the registered capital and shareholding structure of the Company as a result of the allotment or issue of new shares and to submit the relevant amendments to the Articles of Association to the relevant authorities of the PRC and Hong Kong for approval and record (as the case may be); and
  - (c) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares."

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## NOTICE OF ANNUAL GENERAL MEETING

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2. To authorize the Board of the Company to repurchase H Shares subject to the following conditions:
  - (a) subject to paragraphs (b) and (c) below, during the Relevant Period (as defined in paragraph (d) below), the Board may exercise all the powers of the Company to repurchase H Shares in issue of the Company on the Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
  - (b) the aggregate nominal value of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 per cent of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
  - (c) the approval in paragraph (a) above shall be conditional upon:
    - (i) the passing of a special resolution in the same terms as this Special Resolution No. 2 (except for this sub-paragraph (c)(i)) at the class meeting for holders of H Shares of the Company to be held on Friday, 8 May 2009 (or on such adjourned date as may be applicable); and the class meeting for holders of Domestic Shares of the Company to be held on Friday, 8 May 2009 (or on such adjourned date as may be applicable); and
    - (ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate;
  - (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
    - (i) the conclusion of the next annual general meeting following the passing of this special resolution;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the expiration of a period of twelve months following the passing of this special resolution; or
  - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares of the Company at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
- (i) make such amendments to the Articles of Association of the Company as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and
  - (ii) file the amended Articles of Association of the Company with the relevant governmental authorities of the PRC and Hong Kong.

By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Guo Qing Ren**  
*Chairman*

Xinjiang PRC, 20 March 2009

\* *For identification purpose only*

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## NOTICE OF ANNUAL GENERAL MEETING

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**Notes:**

1. Any member entitled to attend and vote at the AGM is entitled to appoint in written form for one or more than one proxy to attend and vote at the AGM on his behalf. A proxy need not be a member of the Company.
2. The form of proxy for the AGM is herewith enclosed. In order to be valid, the form of proxy and, 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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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), not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting should you so wish.
3. Shareholders or their proxies shall present proofs of identities when attending the AGM.
4. The register of members of the Company will be closed from Friday, 17 April 2009 to Friday, 8 May 2009, both days inclusive, during which no transfer of the shares of the Company will be effected. All transfers accompanied by relevant share certificates for H Shares of the Company must be lodged with Company's H share registrar and transfer office not later than 4:00 p.m. on Thursday, 16 April 2009.
5. Shareholders of the Company who intend to attend the AGM should complete and return the enclosed reply slip for attendance to the H Share registrar and transfer office of the Company in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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), by hand, by post or by fax (the fax number of the Company's H Share registrar and transfer office: (852) 28611465 for holders of H Shares only or the Company's fax number: (86993) 2623163 (for holders of Domestic Shares only)) on or before 4:00 p.m. on Thursday, 16 April 2009.
6. Voting of the resolutions as set out in this notice will be by poll.



**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 H SHARES CLASS MEETING**

**NOTICE IS HEREBY GIVEN THAT** a class meeting for holders of H Shares (the “**Class Meeting**”) 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 PRC on Friday, 8 May 2009 at 1:00 p.m. for the following purposes and to pass the following resolutions:

**SPECIAL RESOLUTION**

1. To authorize the board (the “**Board**”) of directors (the “**Directors**”) of the Company to repurchase H Shares of the Company (the “**H Shares**”) subject to the following conditions:
  - (a) subject to paragraphs (b) and (c) below, during the Relevant Period (as defined in paragraph (d) below), the Board may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
  - (b) the aggregate nominal value of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
  - (c) the approval in paragraph (a) above shall be conditional upon:
    - (i) the passing of a special resolution in the same terms as this Special Resolution No. 1 (except for this sub-paragraph (c)(i)) at the annual general meeting for holders of shares of the Company to be held on Friday, 8 May 2009 at 11:00 a.m. (or on such adjourned date as may be applicable); and the class meeting for holders of Domestic Shares of the Company to be held on Friday, 8 May 2009 at 1:30 p.m. (or on such adjourned date as may be applicable); and

\* For identification purpose only

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## NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

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- (ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate;
- (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
  - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
  - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares of the Company at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
  - (i) make such amendments to the Articles of Association of the Company as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and
  - (ii) file the amended Articles of Association of the Company with the relevant governmental authorities of the PRC and Hong Kong.

Yours faithfully,  
By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Guo Qing Ren**  
*Chairman*

Xinjiang, the PRC, 20 March 2009

*As at the date of this notice, the Board comprises four executive Directors, namely Mr. Guo Qing Ren, Mr. Shi Xiang Shen, Mr. Li Shuang Quan and Mr. Zhu Jia Ji and four independent non-executive Directors, namely Mr. He Lin Wang, Mr. Xia Jun Min, Mr. Gu Lie Feng and Mr. Mak King Sau.*

\* For identification purpose only

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## NOTICE OF CLASS MEETING FOR HOLDERS OF H SHARES

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### Notes:

1. The register of members of the Company will be temporarily closed from Friday, 17 April 2009 to Friday, 8 May 2009 (both days inclusive) during which no transfer of H Shares of the Company will be registered in order to determine the list of holders of H Shares of the Company (the “**Shareholders**”) for attending the Class Meeting. The last lodgment for H Share transfer should be made on Thursday, 16 April 2009 at Tricor Investor Services Limited by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on Thursday, 16 April 2009 are entitled to attend the Class Meeting by presenting their identity documents. The address of Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
2. Each Shareholder having the rights to attend and vote at the Class Meeting is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Proxy Form enclosed). The Proxy Form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the Proxy Form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the Proxy Form and the notarially certified power of attorney or other documents of authorisation must be delivered to the registered address of the Company in not less than 24 hours before the time scheduled for the holding of the Class Meeting or any adjournment thereof.
4. Shareholders who intend to attend the Class Meeting are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., Thursday, 16 April 2009.
5. Shareholders or their proxies shall present proofs of their identities upon attending the Class Meeting. Should a proxy be appointed, the proxy shall also present the Proxy Form.
6. The Class Meeting is expected to last for less than one day. The Shareholders and proxies attending the Class Meeting shall be responsible for their own travelling and accommodation expenses.
7. The Company’s registered address:  
  
No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone,  
Shihezi, Xinjiang, the PRC  
Fax: (86993) 2623163



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 DOMESTIC SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN THAT a class meeting for holders of Domestic Shares (the “**Class Meeting**”) 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 PRC on Friday, 8 May 2009 at 1:30 p.m. for the following purposes and to pass the following resolutions:

**SPECIAL RESOLUTION**

1. To authorize the board (the “**Board**”) of directors (the “**Directors**”) of the Company to repurchase H Shares of the Company (“**H Shares**”) subject to the following conditions:
  - (a) subject to paragraphs (b) and (c) below, during the Relevant Period (as defined in paragraph (d) below), the Board may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
  - (b) the aggregate nominal value of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
  - (c) the approval in paragraph (a) above shall be conditional upon:
    - (i) the passing of a special resolution in the same terms as this Special Resolution No. 1 (except for this sub-paragraph (c)(i)) at the annual general meeting for holders of shares of the Company to be held on Friday, 8 May 2009 at 11:00 a.m. (or on such adjourned date as may be applicable); and the class meeting for holders of H Shares of the Company to be held on Friday, 8 May 2009 at 1:00 p.m. (or on such adjourned date as may be applicable); and

\* For identification purpose only

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## NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

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- (ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate;
- (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
  - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
  - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
  - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares of the Company at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
  - (i) make such amendments to the Articles of Association of the Company as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and
  - (ii) file the amended Articles of Association of the Company with the relevant governmental authorities of the PRC and Hong Kong.

Yours faithfully,

By Order of the Board

**Xinjiang Tianye Water Saving Irrigation System Company Limited\***

**Guo Qing Ren**

*Chairman*

Xinjiang, the PRC, 20 March 2009

*As at the date of this notice, the Board comprises four executive Directors, namely Mr. Guo Qing Ren, Mr. Shi Xiang Shen, Mr. Li Shuang Quan and Mr. Zhu Jia Ji and four independent non-executive Directors, namely Mr. He Lin Wang, Mr. Xia Jun Min, Mr. Gu Lie Feng and Mr. Mak King Sau.*

\* *For identification purpose only*

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## NOTICE OF CLASS MEETING FOR HOLDERS OF DOMESTIC SHARES

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### Notes:

1. The register of members of the Company will be temporarily closed from Friday, 17 April 2009 to Friday, 8 May 2009 (both days inclusive) during which no transfer of domestic shares of the Company (“**Domestic Shares**”) will be registered in order to determine the list of holders of Domestic Shares of the Company (the “**Shareholders**”) for attending the Class Meeting. The last lodgment for Domestic Share transfer should be made on Thursday, 16 April 2009 at the Company’s registered and principal office by or before 4:00 p.m. The Shareholders or their proxies being registered before the close of business on Thursday, 16 April 2009 are entitled to attend the Class Meeting by presenting their identity documents.
2. Each Shareholder having the rights to attend and vote at the Class Meeting is entitled to appoint one or more proxies (whether a Shareholder or not) to attend and vote on his behalf. Should more than one proxy be appointed by one Shareholder, such proxy shall only exercise his voting rights on a poll.
3. Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the proxy form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorisation must be delivered to the registered address of the Company in not less than 24 hours before the time scheduled for the holding of the Class Meeting or any adjournment thereof.
4. Shareholders who intend to attend the Class Meeting are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., Thursday, 16 April 2009.
5. Shareholders or their proxies shall present proofs of their identities upon attending the Class Meeting. Should a proxy be appointed, the proxy shall also present the Proxy Form.
6. The Class Meeting is expected to last for less than one day. The Shareholders and proxies attending the Class Meeting shall be responsible for their own travelling and accommodation expenses.
7. The Company’s registered address:  
  
No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone,  
Shihezi, Xinjiang, the PRC  
Fax: (86993) 2623163