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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.

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**新疆天业节水灌溉股份有限公司**  
**XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED\***  
*(a joint stock limited company incorporated in the People's Republic of China)*  
**(Stock Code: 840)**

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTION,**  
**(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**(3) PROPOSED APPOINTMENT AND RESIGNATION OF DIRECTORS**  
**AND**  
**(4) NOTICE OF ANNUAL GENERAL MEETING**

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



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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 31 December 2011 (the “Annual Report”).

The notice for convening the annual general meeting of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Friday, 18 May 2012 is set out on pages 34 to 37 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

28 March 2012

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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, 18 May 2012 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 34 to 37 of this circular;
“AGM Notice”	the notice dated 28 March 2012 for convening the AGM as set out on pages 34 to 37 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;
“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;
“Directors”	the directors of the Company;
“Domestic Shares”	domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;

\* *For identification purpose only*

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Shares”	the overseas listed foreign invested share(s) of nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Stock Exchange and subscribed for and traded in HK\$;
“Independent Board Committee”	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, Mr. Mak King Sau and Mr. Wang Yun, which will be formed to advise the Independent Shareholders in respect of the transactions contemplated under the Master Purchase Agreement;
“Independent Financial Adviser” or “IFA” or “South West”	South West Capital Limited, a licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transactions;
“Independent Shareholders”	Shareholders other than Tianye Holdings, and Tianye Company and their associates;
“Latest Practicable Date”	23 March 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Purchase Agreement”	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 12 March 2012 for the purchase by the Group from Tianye Holdings Group of PVC resins;
“Master Sales Agreement”	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 12 March 2012 for the sales by the Group to Tianye Holdings Group of the PVC pipelines, drip films and drip assemblies;
“Old Master Purchase Agreement”	a purchase agreement entered into between the Company and Tianye Holdings on 16 March 2009 in respect of purchase of diamond-shaped wheels, packaging films and PVC resins by the Group from Tianye Holdings Group;

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## DEFINITIONS

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“Old Master Sales Agreement”	a sales agreement between the Company and Tianye Holdings on 16 March 2009 in respect of sale of PVC/PE pipelines, drip films and drip assemblies by the Group to Tianye Holdings Group;
“PRC”	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;
“Proposed Continuing Connected Transaction”	the continuing connected transactions contemplated under the Master Purchase Agreement;;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	H Shares, the Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company;
“Shareholders”	the holders of H Shares and Domestic Shares from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder(s)”	has the meaning as defined under the Listing Rules;
“Tianye Company”	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 438,592,000 A shares of which were listed on the Shanghai Stock Exchange as at the date hereof;
“Tianye Company Group”	Tianye Company and its subsidiaries;

\* For identification purpose only

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## DEFINITIONS

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“Tianye Holdings”	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% and 21.51% of the registered capital of Tianye Company and the Company respectively as the date hereof;
“Tianye Holdings Group”	Tianye Holdings and its subsidiaries (including Tianye Company Group but excluding the Group); 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. Yin Xiu Fa (*Chairman*)  
Mr. Hou Guo Jun  
Mr. Shi Xiang Shen  
Mr. Li Shuang Quan  
Mr. Zhu Jia Ji  
Mr. Chen Lin

*Registered office:*

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

*Independent non-executive Directors:*

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

*Principal place of business*

*in Hong Kong:*  
Unit 2209, 22/F  
Wu Chung House  
213 Queen's Road East  
Hong Kong

28 March 2012

*To the Shareholders*

Dear Sir or Madam,

**(1) RENEWAL OF CONTINUING CONNECTED TRANSACTION,  
(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
(3) PROPOSED APPOINTMENT AND RESIGNATION OF DIRECTORS  
AND  
(4) NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to (i) provide the Shareholders with further information regarding the Proposed Continuing Connected Transaction (including the proposed annual caps); (ii) set out the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of the IFA to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Continuing Connected Transaction (including the proposed annual caps); and (iii) give the Shareholders the AGM Notice and other information as required under the Listing Rules.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### **Background of the Continuing Connected Transactions**

The Company entered into (1) Old Master Purchase Agreement and (2) Old Master Sales Agreement in respect of the continuing connected transactions for the three years ended 31 December 2011, details of which were set out in the circular of the Company dated 20 March 2009. The agreements in respect of the continuing connected transactions for the three years ended 31 December 2011 have expired. As the Company wishes to continue the continuing connected transactions, the Company has entered into the Master Purchase Agreement and the Master Sales Agreement with Tianye Holdings on 12 March 2012 whereas the transactions contemplated under the Master Purchase Agreement (including the proposed annual caps) is conditional upon the approval of the Independent Shareholders at the AGM.

As at the Latest Practicable Date, Tianye Company was a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company, and Tianye Holdings was also interested in approximately 21.51% of the issued share capital of the Company and Tianye Company was, in turn, owned by Tianye Holdings as to approximately 43.27% of its registered capital and Tianye Holdings was also entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company was considered as a subsidiary of Tianye Holdings. Thus, Tianye Company and Tianye Holdings are connected persons of the Company. Accordingly, the transactions contemplated under both the Master Purchase Agreement and the Master Sales Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to Rule 14A.36(2) of the Listing Rules, where an agreement in relation to previously announced continuing connected transaction is renewed or there is a material change to the terms of the agreement, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Rules 14A.35(3) and 14A.35(4) of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the Master Purchase Agreement are more than 5% and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the Master Purchase Agreement, together with the proposed annual caps, are subject to reporting, announcement, independent shareholders' approval and annual review requirements under Rules 14A.35(3), (4) and (5) 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. South West has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Tianye Holdings, Tianye Company and their 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.



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## LETTER FROM THE BOARD

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As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the Master Sales Agreement is less than 5%, the transactions contemplated under the Master Sales Agreement is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the requirements set out in rules 14A.35(1) and 14A.35(2) of the Listing Rules and is exempt from the independent shareholders approval requirements.

### 2. PROPOSED CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement issued by the Company on 13 March 2012 (“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 PVC resins and sale of PVC pipelines, drip films and drip assemblies on 12 March 2012. As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the proposed annual caps under the Master Sales Agreement is less than 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, the annual review requirements set out in rules 14A.37 to 14A.40 and the requirements set out in rules 14A.35(1) and 14A.35(2) 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:	12 March 2012
Parties:	(1) the Company (for itself and on behalf of its subsidiaries) as purchaser; and  (2) Tianye Holdings (for itself and on behalf of its subsidiaries) as the seller.
Subject:	Purchase of 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 2014.
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.

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## LETTER FROM THE BOARD

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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.

The total historical transaction amounts in respect of purchase of PVC resins under the Old Master Purchase Agreement for the three years ended 31 December 2011 are RMB68,401,000, RMB69,564,000 and RMB78,913,000 respectively.

The annual caps under the Master Purchase Agreement shall not exceed RMB266,800,000, RMB266,800,000 and RMB266,800,000 for the three years ending 31 December 2014 respectively. The proposed annual caps have been determined by reference to (i) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines of the Group; (ii) direct proportionality between the production of PVC pipelines and the demand for PVC resins; (iii) the proportion of PVC resins to be sourced from Tianye Holdings Group; and (iv) the estimated average market price of RMB5,800 for each ton of PVC resins for the forthcoming three years ending 31 December 2014.

The increase in annual caps is attributed mainly to the following factors:

- (1) The growing customer demand for water-saving irrigation systems in the PRC due to:
  - continuous support from the PRC government on the development of high quality water-saving irrigation technologies;
  - the Company participated in the ten-thousand-acres agricultural water-saving drip irrigation project in the Liaoning Province of the PRC (the “Liaoning Project”) which will require approximately 10,000 tons PVC pipelines during the year 2012.

The potential businesses brought, directly or indirectly, by the Liaoning Project; the popularization of water-saving irrigation systems; and the organic growth of the sale volume of PVC pipelines all contribute to the growing customer demand for PVC pipelines of the Group.

- (2) The increased production capacity of PVC pipelines of the Group

The Group has expanded the production scale for PVC pipelines by increasing the number of production lines from 13 in 2009 to 26 in 2012, with the annual production capacity doubled from approximately 40,000 tons in 2009 to approximately 80,000 tons in 2012. Furthermore, the current annual production capacity of PVC pipelines of the Group represents approximately doubling of the sales volume in year 2011.

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## LETTER FROM THE BOARD

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### 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 circular of the Company dated 20 March 2009 as regards continuing connected transactions, which the Company had previously entered into the Old Master Purchase Agreement. The annual caps and the historical transaction amounts for the Old Master Purchase Agreement are below:

#### *Old Master Purchase Agreement*

	Year ended 31 December		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Annual caps	83,940	83,940	83,940
Historical transaction amounts	68,535	69,564	78,913

The Group has improved the costs and operational efficiency by entering into Old Master Purchase Agreement with Tianye Holdings.

Furthermore, in the event of shortage of PVC resins in the market, Tianye Holdings Group agrees to give priority to the Group to purchase at the market price the PVC resins from them. On the other hand, the Group shall not be obliged to purchase the 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 PVC resins 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 proposed 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.

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## LETTER FROM THE BOARD

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### **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 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, and Tianye Holdings is also interested in approximately 21.51% of the issued share capital of the Company and Tianye Company is in turn 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 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, the annual review requirements set out in rules 14A.37 to 14A.40 and the requirements set out in rules 14A.35(1) and 14A.35(2). An Independent Board Committee of the Company is formed to advise the Independent Shareholders on the terms of the Master Purchase Agreement. South West is appointed to advise the Independent Board Committee and the Independent Shareholders in this regard. Tianye Holdings, Tianye Company and their 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.

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## LETTER FROM THE BOARD

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### 3. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board announces that a special resolution will be proposed at the AGM to approve certain amendments to the Articles of Association. The proposed amendments to the Articles of Association are for the purpose to clarify the item “drip film (滴灌膜)” as “drip tape (滴灌帶)” as per the suggestion of the PRC authorities. The proposed amendments are as follows:

Existing Article 2.02 of the Articles of Association\* reads:

“The scope of business of the Company includes: development and marketing of high and new water saving irrigation technologies; interim testing and marketing of advanced water saving fittings; technology transfer and service for water saving irrigation; development and utilization of computer application software for water saving irrigation; production and sales of PVC pipelines for water supply, PE pipelines and assemblies, pressure compensatory style drip films, labyrinth-style drip films, embedded-style drip films, agriculture films and drippers; import of scrap copper, scrap steel, scrap aluminum, scrap paper and scrap plastic; recycling and processing of scrap and obsolete plastic; distribution of electrical and mechanical goods (other than compact size vehicles) and chemical goods (other than dangerous chemical items and highly poisonous items); hydraulic industry (irrigation and drainage) (Class C); grade one subcontractor for construction of water saving irrigation project (specific scope is subject to quality certificate); business of exporting products and technologies produced by this enterprise itself and business of importing machinery and equipment, parts and components, raw and auxiliary materials and technologies required by this enterprise, other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State.”

It is proposed that the existing Article 2.02 of the Articles of Association be deleted in its entirety and replaced with the following new Article 2.02:

Proposed new Article 2.02 of the Articles of Association:

“The scope of business of the Company includes: development and marketing of high and new water saving irrigation technologies; interim testing and marketing of advanced water saving fittings; technology transfer and service for water saving irrigation; development and utilization of computer application software for water saving irrigation; production and sales of PVC pipelines for water supply, PE pipelines and assemblies, pressure compensatory style drip tape, labyrinth-style drip tape, embedded-style drip tape, agriculture films and drippers; import of scrap copper, scrap steel, scrap aluminum, scrap paper and scrap plastic; recycling and processing of scrap and obsolete plastic; distribution of electrical and mechanical goods (other than compact size vehicles) and chemical goods (other than dangerous chemical items and highly poisonous items); hydraulic industry (irrigation and drainage) (Class C); grade one subcontractor for construction of water saving irrigation project (specific scope is

\* The Articles of Association are written in Chinese without an official English version. Therefore, any English translation is for reference only. In case of any discrepancy between the two versions, the Chinese version shall prevail.

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## LETTER FROM THE BOARD

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subject to quality certificate); business of exporting products and technologies produced by this enterprise itself and business of importing machinery and equipment, parts and components, raw and auxiliary materials and technologies required by this enterprise, other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State.”

The legal advisers of the Company have confirmed that the proposed amendments to the Articles of Association are in compliance with the requirements of Listing Rules and the laws of the People’s Republic of China. The Company also confirms that there is nothing unusual about the proposed amendments to the Articles of Association for a company listed in Hong Kong.

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of special resolution at the AGM and all necessary approvals, authorisations, or registration (if applicable) to be obtained from or filed with the relevant governmental or regulatory authorities.

#### **4. PROPOSED APPOINTMENT AND RESIGNATION OF DIRECTORS**

The Board of the Company announces the following changes:

- a. Resignation of Mr. Hou Guo Jun as the Chairman, an executive Director and a member of the Nomination Committee of the Company. Mr. Hou Guo Jun has tendered his resignation as the Chairman, an executive Director and a member of the Nomination Committee, to be effective from the conclusion of the AGM due to his personal commitments.

Mr. Hou has confirmed that he has no disagreement with the Board and there is no matter relating to his resignation that need to be brought to the attention of the shareholders of the Company.

- b. **Appointment of Mr. Shao Mao Xu as an executive Director**

Mr. Shao has been appointed as an executive Director for a term of three years with effect from the conclusion of the AGM.

Mr. Shao, 53, graduated from 新疆生產建設兵團黨校 (Xinjiang Production and Construction Communist Party School) majoring in economic management. In September 2006, Mr. Shao was awarded engineer qualification certificate by Ministry of Agriculture of the PRC. Mr. Shao joined our Group in March 2002 and was the deputy general manager of our Company since June 2009.

The Company and Mr. Shao will enter into service contract that following his appointment, Mr. Shao will receive from the Company, among others, a director’s fee of RMB130,000 per annum, subject to the approval of the shareholders of the Company at the AGM, which is determined by shareholders of the Company.



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## LETTER FROM THE BOARD

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As at the date hereof, Mr. Shao is not interested in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Save as disclosed, Mr. Shao has no relationships with any directors, senior management or substantial or controlling shareholders of the Company, and does not hold or has not in the last three years held any directorships in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

In relation to the appointment of Mr. Shao as an executive Director of the Company, there is no information to be disclosed pursuant to any of the requirements of Rules 13.51(2) of the Listing Rules nor are there other matters that need to be brought to the attention of the shareholders of the Company.

### **5. ACTION TO BE TAKEN**

Each Shareholder who has the right to attend and vote at the AGM, 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. Forms of proxy for use by the Shareholders at the AGM are enclosed. Whether or not you intend to be present at the AGM, 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 or any adjourned meeting. 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 to wish.

### **6. CLOSURE OF REGISTER OF MEMBERS**

For the purpose of the AGM, the register of the members of the Company will be closed from Saturday, 28 April 2012 to Friday, 18 May 2012 (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, 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 Friday, 27 April 2012.

### **7. 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 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.

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## LETTER FROM THE BOARD

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### 8. RECOMMENDATION

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

Yours faithfully  
For and on behalf of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Yin Xiu Fa**  
*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)**

28 March 2012

*To the Independent Shareholders*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION**

We refer to the circular dated 28 March 2012 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. South West 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 5 to 14 of the Circular and the letter from South West as set out on pages 16 to 27 of the Circular. Having considered the principal factors and reasons considered by, and the advice of, South West 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, Wang Yun**  
*Independent Board Committee*

\* *For identification purpose only*



South West Capital Limited  
西南融資有限公司

**South West Capital Limited**  
Unit 1703, 17/F, Euro Trade Centre,  
13–14 Connaught Road Central, Hong Kong

28 March 2012

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

Dear Sirs,

## **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) in relation to the proposed continuing connected transaction contemplated under the Master Purchase Agreement (the “**Proposed Continuing Connected Transaction**”) with its proposed annual caps (the “**Annual Caps**”).

The details of the Proposed Continuing Connected Transaction were disclosed in the announcement of the Company dated 13 March 2012 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 5 to 14 of the circular of the Company dated 28 March 2012 (the “**Circular**”) to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, Tianye Company was a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company, and Tianye Holdings was also interested in approximately 21.51% of the issued share capital of the Company. Tianye Company was, in turn, owned by Tianye Holdings as to approximately 43.27% of its registered capital and Tianye Holdings was entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company was considered as a subsidiary of Tianye Holdings. Therefore, both Tianye Company and Tianye Holdings are connected persons of the Company and the transaction contemplated under the Master Purchase Agreement constitutes continuing connected transaction of the Company as defined under the Listing Rules. As the applicable percentage ratios of the Annual Caps are more than 5% and the annual consideration of the Proposed Continuing

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## LETTER FROM SOUTH WEST

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Connected Transaction is more than HK\$10 million, the transaction contemplated under the Master Purchase Agreement, together with the Annual Caps, are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the five independent non-executive Directors, namely Mr. He Lin Wang, Mr. Xia Jun Min, Mr. Gu Lie Feng, Mr. Mak King Sau and Mr. Wang Yun, has been formed to consider whether (i) the terms of the Proposed Continuing Connected Transaction are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Proposed Continuing Connected Transaction, including the Annual Caps, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, South West Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Apart from normal professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees and/or benefits from the Group, Tianye Company and Tianye Holdings or any of their respective associates. We are independent from and not connected with the Group, Tianye Company and Tianye Holdings or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Proposed Continuing Connected Transaction.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcement, the Circular, the Master Purchase Agreement, the master purchase agreement entered into between the Group and Tianye Holdings on 16 March 2009 (the “**2009 Master Purchase Agreement**”), the circular of the Company dated 20 March 2009 in relation to the continuing connected transaction contemplated under the 2009 Master Purchase Agreement (the “**2009 Circular**”), the prospectus of the Company dated 30 August 2007 (the “**Prospectus**”), the 2010 annual report of the Company (the “**2010 Annual Report**”) and the 2011 annual results announcement of the Company dated 23 March 2012 (the “**2011 Annual Results Announcement**”). We have also reviewed certain information provided by the management of the Company relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Master Purchase Agreement, the basis for determination of the Annual Caps, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

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## LETTER FROM SOUTH WEST

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All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Master Purchase Agreement and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Purchase Agreement, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

For the purpose of this letter, unless otherwise specified, conversions of Renminbi into Hong Kong dollars are based on the approximate exchange rate of RMB0.81 to HK\$1.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinions regarding the Proposed Continuing Connected Transaction and the Annual Caps, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Proposed Continuing Connected Transaction**

##### *(i) Information of the Group*

The Group is principally engaged in the design, manufacture and sale of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system. It also provides installation service of water saving irrigation systems for agricultural customers.

According to the 2011 Annual Results Announcement, the Group recorded a total turnover of approximately RMB690.4 million (equivalent to approximately HK\$852.3 million) for the financial year ended 31 December 2011 (“FY2011”), representing an increase of approximately 17.3% from approximately RMB588.5 million (equivalent to approximately HK\$726.5 million) in the financial year ended 31 December 2010 (“FY2010”). In FY2011, approximately 57.3% and 42.7% of the total turnover were generated from the sale of drip films/drip

assemblies and PVC/PE pipelines, respectively. The increase in turnover for FY2011 was mainly attributable to the growth in demand for water-saving irrigation systems in the PRC.

*(ii) Information of the Tianye Holdings Group*

The 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.

According to the 2012 China's PVC Industry Research Report\* (2012版中國聚氯乙炔行業研究報告) issued by CCAON (中國氯鹼網) in December 2011, the Tianye Holdings Group was the market leader in the PRC's PVC industry with the highest PVC annual production capacity of 1.2 million tons in 2011. According to the information from the management of the Company, the Tianye Holdings Group produced approximately 642,300 tons, 718,000 tons and 1,014,800 tons of PVC resins in the financial year ended 31 December 2009 ("FY2009"), FY2010 and FY2011, respectively.

*(iii) Reasons for the Proposed Continuing Connected Transaction*

In performing its ordinary course of businesses, the Group has been from time to time carrying out transactions with its connected persons. Taking into consideration that (i) the Tianye Holdings Group has demonstrated its ability of supplying sufficient spare parts, including but not limited to diamond-shaped wheels, used drip films, PVC resins, contracting films, internal films and stabilizers, to the Group on time as request; and (ii) both the Group and the Tianye Holdings Group are located in Xinjiang and the Group would benefit from shorter distance for product delivery thereby resulting in lower transportation cost, the Group entered into the first master purchase agreement (the "**2006 Master Purchase Agreement**") with Tianye Holdings on 7 February 2006 in order to ensure a steady supply of quality spare parts to the Group from 1 January 2006 to 31 December 2008. Details of the continuing connected transaction contemplated under the 2006 Master Purchase Agreement were disclosed in the Prospectus.

In view of the expiry of the 2006 Master Purchase Agreement on 31 December 2008, the Group entered into the 2009 Master Purchase Agreement with Tianye Holdings on 16 March 2009 for a further term from the date of approval by the then Independent Shareholders to 31 December 2011 in order to secure a stable and continuing supply of diamond-shaped wheels, PVC resins and packaging films for the production of the Group. At the annual general meeting of the Company held on 8 May 2009, the then Independent Shareholders approved

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## LETTER FROM SOUTH WEST

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the 2009 Master Purchase Agreement, including the proposed annual caps and the transaction contemplated thereunder. Details of the continuing connected transaction contemplated under the 2009 Master Purchase Agreement were disclosed in the 2009 Circular.

As the 2009 Master Purchase Agreement expired on 31 December 2011, the Company renewed the Master Purchase Agreement with Tianye Holdings on 12 March 2012 again to govern the purchase of PVC resins from the Tianye Holdings Group for a further three-year period up to 31 December 2014. We were advised by the management of the Company that the Group has developed its own technology of repairing the damaged diamond-shaped wheel and has replaced the packaging films by another packaging material, and therefore, the Group expected to purchase only PVC resins from the Tianye Holdings Group in the coming three years.

PVC resin is the major raw material for the production of PVC pipelines and the sale of PVC pipelines is one of the key revenue drivers for the Group. Taking into account (i) the Tianye Holdings Group is the market leader in the PRC's PVC industry with stable and quality supply of PVC resins; (ii) the Tianye Holdings Group is the nearest PVC resins producer to the Group; and (iii) the long-established relationship with the Tianye Holdings Group for the purchase of PVC resins, we concur with the Directors' view that the Proposed Continuing Connected Transaction contemplated under the Master Purchase Agreement is in the ordinary and usual course of business of the Group.

### **2. Major terms of the Master Purchase Agreement**

We have reviewed and compared the terms of the Master Purchase Agreement and the 2009 Master Purchase Agreement, and noted that, save for the Annual Caps and the subject of agreement constraining to PVC resins only, there is no material change between the terms of the two aforesaid agreements. Pursuant to the Master Purchase Agreement, the price for the procurement of PVC resins will be determined by the Group and the Tianye Holdings Group from time to time by reference to the market price charged by independent third parties and on normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and the 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. The Tianye Holdings Group also guarantees that the price of PVC resins offered to the Group will not be higher than that offered to other independent third parties, given the same type of product.

In assessing 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 but not limited to, the pricing basis and payment terms, offered by the Tianye Holdings Group;



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## LETTER FROM SOUTH WEST

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(ii) reviewed and compared the sample copies of PVC resins' supply contracts entered into between (a) the Group and the Tianye Holdings Group; and (b) the Group and its independent supplier during the three years ended 31 December 2011; and (iii) reviewed the historical price trend of PVC resins in the PRC. We note that (i) the major commercial terms, such as payment, delivery and settlement, under those separate supply contracts entered into between the Group and the Tianye Holdings Group are comparable to and no less favourable than that offered by other independent supplier; and (ii) the price of PVC resins purchased by the Group from the Tianye Holdings Group was, in general, slightly lower than that from other PVC resin supplier.

Pursuant to the Master Purchase Agreement, the Group shall not be obliged to purchase PVC resins from the Tianye Holdings Group and is free to purchase PVC resins from other independent suppliers if the Group obtains a better offer on price and/or quality from them. The Tianye Holdings Group also guarantees to give top priority to the purchase orders of PVC resins from the Group under the same commercial terms, including the price and payment terms, offered by the Tianye Holdings Group to its other customers. We consider that the aforesaid arrangement vests flexibility to the Group for purchasing PVC resins with competitive price and payment terms.

Having considered that (i) the major commercial terms of the Master Purchase Agreement, such as payment, delivery and settlement, are comparable to and no less favourable than that offered by other independent supplier; and (ii) the flexibility vested to the Group for purchasing PVC resins 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 so far as the Independent Shareholders are concerned.

### 3. Annual Caps

The table below sets forth the Annual Caps in respect of the Proposed Continuing Connected Transaction for each of the three years ending 31 December 2014.

	For the year ending 31 December		
	2012	2013	2014
<b>Annual Caps</b> ( <i>RMB million</i> )	266.8	266.8	266.8
(equivalent to approximately HK\$ million)	329.4	329.4	329.4

We have reviewed and discussed with the management of the Company on the basis for determination of the Annual Caps. As disclosed in the Letter from the Board, the Annual Caps were determined by reference to (i) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines of the Group; (ii) direct proportionality between the production of PVC pipelines and the demand for PVC resins; (iii) the proportion of PVC resins to be

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## LETTER FROM SOUTH WEST

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sourced from the Tianye Holdings Group; and (iv) the estimated average market price of RMB5,800 (equivalent to approximately HK\$7,160.5) for each ton of PVC resins for the forthcoming three years ending 31 December 2014.

*(i) Estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines*

Taking advantage of agricultural technology innovation, the agricultural industry in the PRC experienced an exciting economic growth. According to China Statistical Yearbook 2010, the gross output value of the agricultural industry increased from approximately RMB2,491.6 billion (equivalent to approximately HK\$3,076.0 billion) in 2000 to approximately RMB6,036.1 billion (equivalent to approximately HK\$7,452.0 billion) in 2009, representing a compound annual growth rate of approximately 10.3%. While undergoing industrialization, the PRC government continues to support the development of agriculture, which is considered as an important economic sector in the PRC. During each year in the twelve five-year period (2011–2015), the PRC government is contemplating to inject financial support of over RMB20 billion (equivalent to approximately HK\$24.7 billion) for the development of high quality water-saving irrigation technologies and is targeting to achieve the goal of 100 million acres of high quality water-saving irrigated area by the end of the aforesaid period.

Due to the popularization and the increasing importance of water-saving irrigation systems, the sales volume of PVC pipelines, which is an essential part of water-saving irrigation systems, of the Group in FY2011 reached approximately 40,483 tons, representing an increase of approximately 14.2% from 35,445 tons in FY2010. As noted from the 2011 third quarterly report of the Company dated 21 October 2011, the Group was invited to participate in the pre-engineering research, planning and design of the ten-thousand-acres agricultural water-saving drip irrigation project in the Liaoning Province (the “**Liaoning Project**”). The management of the Company expected that the gradual implementation of the Liaoning Project will bring along positive impact on the image and popularity of the Tianye drip systems, which in turn will stimulate the sales of PVC pipelines. As at the Latest Practicable Date, the Group (as the supplier) entered into over twenty purchase agreements with different units or counties in the Liaoning Province (as the purchasers) as part of the Liaoning Project. We have reviewed and noted from ten of those purchase agreements provided by the Company that the Group will provide, among others, apparatuses, materials, training and after-sales service for the fabrication of water saving irrigation systems to the respective units or counties in 2012. We were given to understand by the management of the Company that the Liaoning Project has been implemented at the beginning of 2012 and will continue in the next four years. The Group expected that more purchase agreements with other units or counties in the Liaoning Province will be concluded in the coming few years. As the Liaoning Province is a new market to the Group, it is undoubted that the Liaoning Project, including the aforementioned purchase agreements, will bring new businesses to the Group through the demand for water-saving irrigation systems and thus PVC pipelines.



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## LETTER FROM SOUTH WEST

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In particular, the management of the Company expected that an additional demand for PVC pipelines of about 10,000 tons will be derived from the Liaoning Project during the year 2012.

Taking into account (i) the potential businesses brought, directly or indirectly, by the Liaoning Project; (ii) the popularization of water-saving irrigation systems; and (iii) the organic growth of the sales volume of PVC pipelines, the Directors predicted that the sales volume of PVC pipelines of the Group would experience a noticeable growth in the forthcoming three years ending 31 December 2014.

To cope with the growing demand for PVC pipelines in the coming years, the management of the Company advised us that the Group has expanded the production scale for PVC pipelines by increasing the number of production lines from 13 in 2009 to 26 in 2012, with the annual production capacity doubled from 40,000 tons in 2009 to 80,000 tons in 2012. While the current annual production capacity of PVC pipelines represents nearly a double to the sales volume in FY2011, we consider that the Group is capable of fulfilling its customer demand for PVC pipelines in the coming three years ending 31 December 2014. In order to determine the Annual Caps, the Directors estimated that the annual utilization rate of production capacity of PVC pipelines for the three years ending 31 December 2014 to be about 80%. Upon enquiry, we were given to understand that the historical utilization rate of PVC pipelines' production capacity ranged from 67% to 77% in the past three years. Therefore, we consider that the estimation of the annual utilization rate for the three years ending 31 December 2014 is justifiable.

Having considered the above, we are of the view that the Directors' estimation of the growing customer demand for PVC resins for the coming three years ending 31 December 2014 is reasonable.

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## LETTER FROM SOUTH WEST

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*(ii) Direct proportionality between the production of PVC pipelines and the demand for PVC resins*

Upon enquiry, we were given to understand that PVC resin is the major raw material for the production of PVC pipelines and specifically, the production of each ton of PVC pipelines requires 0.9 ton of PVC resins. We have reviewed the Group's historical figures of (i) the production volume of PVC pipelines; and (ii) the volume of PVC resins used for the production of PVC pipelines in FY2009, FY2010 and FY2011, which were summarized in the table below.

	<b>FY2009</b> <i>(tons)</i>	<b>FY2010</b> <i>(tons)</i>	<b>FY2011</b> <i>(tons)</i>
Production volume of PVC pipelines	30,843	36,960	46,021
Volume of PVC resins used for the production of PVC pipelines	27,759	33,264	41,419
Average volume of PVC resins used for each ton of PVC pipelines	0.90	0.90	0.90

With the support of the stable historical figures, we consider that the application of the multiplying factor of 0.9 ton of PVC resins for each ton of PVC pipelines for the determination of Annual Caps is justifiable.

*(iii) Proportion of PVC resins to be sourced from the Tianye Holdings Group*

According to the 2012 China's PVC Industry Research Report\* (2012版中國聚氯乙稀行業研究報告) issued by CCAON (中國氯鹼網) in December 2011, the Tianye Holdings Group was the market leader in the PRC's PVC industry with the highest annual production capacity of PVC resins of 1.2 million tons in 2011. As advised by the management of the Company, the Tianye Holdings Group produced approximately 642,300 tons, 718,000 tons and 1,014,800 tons of PVC resins in FY2009, FY2010 and FY2011, respectively. The Group intends to source approximately 80% of PVC resins from the Tianye Holdings Group for the forthcoming three years ending 31 December 2014, which is expected to be less than 5% of the current annual production capacity of PVC resins of the Tianye Holdings Group. We agree with the view of the management of the Company that the Tianye Holdings Group has sufficient capacity to fulfill the demand for PVC resins from the Group.

Furthermore, both the Group and the Tianye Holdings Group are located in Shihezi City (石河子市) in the Xinjiang Province and the Tianye Holdings Group is the nearest PVC resins producer to the Group. The Group will, therefore,

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## LETTER FROM SOUTH WEST

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benefit from lower transportation cost and efficient delivery for procurement from the Tianye Holdings Group. In view of the above, we agree that the Group's procurement strategy of sourcing approximately 80% of PVC resins from the Tianye Holdings Group is reasonable, and is in the interests of the Group and the Shareholders as a whole.

*(iv) Estimated market price of PVC resins in the PRC*

As advised by the management of the Company, the average purchase price of PVC resins contemplated under the 2009 Master Purchase Agreement were approximately RMB5,109 (equivalent to approximately HK\$6,307.4), RMB5,463 (equivalent to approximately HK\$6,744.4) and RMB5,725 (equivalent to approximately HK\$7,067.9) in FY2009, FY2010 and FY2011, respectively. The management of the Company predicted that the market price of PVC resins will fluctuate in the range from RMB5,100/ton to RMB6,800/ton (equivalent to approximately HK\$6,296.3/ton to HK\$8,395.1/ton) in the next three years to 2014 given that no unpredictable financial, economic, market and/or other conditions materially affect the market price of PVC resins, and they assumed that the average purchase price of PVC resins from the Tianye Holdings Group for each of the three financial years ending 31 December 2014 to be RMB5,800/ton (equivalent to approximately HK\$7,160.5/ton), representing a slight increase of approximately 1.3% from the average purchase price of PVC resins from the Tianye Holdings Group in FY2011. We have reviewed the market price trend of PVC resins in the northwest market of the PRC for the recent twelve months from April 2011 till now and noted such market price range was basically in line with the prediction of the management of the Company for the next three years to 2014. We consider that it is fair and reasonable for the Group to take into consideration the aforesaid factors and that the expected average purchase price of PVC resins was determined after due and careful consideration of the Directors.

Having considered the above, we are of the view that the Annual Caps for the three years ending 31 December 2014 are determined based on reasonable estimation and that it is fair and reasonable for the management of the Company to make reference to the aforesaid factors as the basis to determine the Annual Caps.

#### **4. Requirements of the Listing Rules on the Proposed Continuing Connected Transaction**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Proposed Continuing Connected Transaction is subject to the following annual review requirements:

- (i) Each year the independent non-executive Directors must review the Proposed Continuing Connected Transaction and confirm in the annual report and accounts that the Proposed Continuing Connected Transaction has been entered into:

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## LETTER FROM SOUTH WEST

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- a. in the ordinary and usual course of business of the Group;
  - b. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available from independent third parties; and
  - c. in accordance with the Master Purchase Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company must provide a letter to the board of Directors (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Proposed Continuing Connected Transaction:
- a. has received the approval of the board of Directors;
  - b. is in accordance with the pricing policies of the Group if the Proposed Continuing Connected Transaction involves provision of goods or services by the Group;
  - c. has been entered into in accordance with the Master Purchase Agreement governing the Proposed Continuing Connected Transaction; and
  - d. has not exceeded the Annual Caps;
- (iii) the Company shall allow, and shall procure that the relevant counter-parties to the Proposed Continuing Connected Transaction shall allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the Proposed Continuing Connected Transaction as set out in paragraph (ii) above; the board of Directors must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters as set out in paragraphs (i) and/or (ii) above, respectively.

In light of the reporting requirements attached to the Proposed Continuing Connected Transaction, in particular, (i) the restriction of the value of the Proposed Continuing Connected Transaction by way of the Annual Caps; and (ii) the on-going review by the independent non-executive Directors and auditors of the Company on the terms of the Proposed Continuing Connected Transaction and the Annual Caps

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## LETTER FROM SOUTH WEST

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not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Proposed Continuing Connected Transaction and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Master Purchase Agreement, including the Annual Caps and the transaction contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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 ordinary resolution to approve the Proposed Continuing Connected Transaction and the Annual Caps, as detailed in the notice of AGM set out on pages 34 to 37 of the Circular.

Yours faithfully,  
For and on behalf of  
**South West Capital Limited**  
**Hidulf Kwan**  
*Executive Director*

\* *For identification purpose only*

## 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
Shi Xiang Shen (Director)	Tianye Company	Beneficial owner	34,864 Domestic Shares (L)	0.008%

*Notes:*

- The letter “L” represents the Directors’ and Supervisors’ long positions in such securities.
- (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	Capacity of interests held	Number of the domestic Shares of the Company held (Note 1)	Approximate percentage of the total issued domestic Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Tianye Company (Notes 3 and 5)	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited ("Tianye Holdings") (Notes 4 and 5)	Beneficial owner Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.51% 38.91%

#### Notes:

- "L" denotes the person's/entity's long positions in the Shares.
- 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).
- The domestic Shares held by Tianye Company were equivalent to approximately 63.75% of the total domestic Shares in issue.
- 202,164,995 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.
- References are made to the joint announcements dated 9th May 2011, and 16th June, 2011 and the composite offer and response document dated 26th May, 2011 both jointly issued by the Company, Tianye Holdings and Long Thrive. Tianye Holdings, Ms. Chow and Long Thrive entered into an agreement dated 21st April 2011 to form a consortium, pursuant to which Ms. Chow and Long Thrive became parties acting in concert with Tianye Holdings and made a mandatory unconditional cash offer for all the H Shares not already owned by Tianye Holdings and Long Thrive in accordance with the Takeovers Code in about May 2011 ("H Share Offer"), and constitutes an agreement under section 317 of the SFO. Immediately upon close of the H Share Offer, Tianye Holdings, Long Thrive and parties acting in concert with them held an aggregate of 330,361,921 Shares (comprising 202,164,995 domestic Shares held by Tianye Company, 111,721,926 domestic Shares held by Tianye Holdings and 16,475,000 H Shares transferred to Long Thrive under the H Share Offer), representing approximately

63.59% of the entire issued share capital of the Company. The shareholding of Long Thrive was subsequently decreased to 16,007,000 H Shares representing approximately 3.08% of the entire issued share capital of the Company as at 31st December 2011.

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

As at the Latest Practicable Date, save for the persons or entities disclosed in subsection (A) above, the following persons or entities (other than Directors, Supervisors 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	Capacity	Number of H Shares of the Company held (Note 1)	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings (Notes 3 and 6)	Beneficial owner	16,007,000 (L)	7.90%	3.08%
Ms Chow (Notes 4 and 6)	Interest in controlled corporation	16,007,000 (L)	7.90%	3.08%
Kan Wing Nin ("Mr. Kan") (Notes 5 and 6)	Interest of spouse	16,007,000 (L)	7.90%	3.08%

*Notes:*

- The letter "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 Shares of 519,521,560 Shares (including domestic Shares and H Shares).
- The H Shares held by Long Thrive were equivalent to approximately 7.90% of the total H Shares in issue of the Company.
- Long Thrive directly held 16,007,000 H Shares in the Company. Long Thrive is wholly owned by Ms. Chow. By virtue of the SFO, Ms. Chow is deemed to be interested in the 16,007,000 H Shares held by Long Thrive.
- Mr. Kan is the spouse of Ms. Chow. By virtue of SFO, Mr. Kan is deemed to be interested in the 16,007,000 H Shares held by Long Thrive.
- References are made to the joint announcements dated 9th May 2011, and 16th June, 2011 and the composite offer and response document dated 26th May, 2011 both jointly issued by the Company, Tianye Holdings and Long Thrive. Tianye Holdings, Ms. Chow and Long Thrive entered into an agreement dated 21st April 2011 to form a consortium, pursuant to which Ms. Chow and Long Thrive became parties acting in concert with Tianye Holdings and made a mandatory unconditional cash offer for all the H Shares not already owned by Tianye



Holdings and Long Thrive in accordance with the Takeovers Code in about May 2011 (“H Share Offer”), and constitutes an agreement under section 317 of the SFO. Immediately upon close of the H Share Offer, Tianye Holdings, Long Thrive and parties acting in concert with them held an aggregate of 330,361,921 Shares (comprising 202,164,995 domestic Shares held by Tianye Company, 111,721,926 domestic Shares held by Tianye Holdings and 16,475,000 H Shares transferred to Long Thrive under the H Share Offer), representing approximately 63.59% of the entire issued share capital of the Company. The shareholding of Long Thrive was subsequently decreased to 16,007,000 H Shares representing approximately 3.08% of the entire issued share capital of the Company as at 31st December 2011.

### 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 2011, 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:

<b>Name</b>	<b>Qualifications</b>
South West Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (a) As at the Latest Practicable Date, South West 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 H 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 2011), 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) South West 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 2011, the date to which the latest published audited financial statements of the Company were made up.
- (c) South West 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 South West 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 Master Purchase Agreement, the consent letter and the letter of advice from South West are available for inspection at the principal place of business in Hong Kong of the Company at Unit 2209, 22/F, Wu Chung House, 213 Queen's Road East, Hong Kong during normal business hours from the date of this circular up to and including 12 April 2012.

## 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 Unit 2209, 22/F, Wu Chung House, 213 Queen's Road East, 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.

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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, 18 May 2012 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 2011;
2. To consider and approve the report of the Supervisory Committee of the Company for the year ended 31 December 2011;
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 2011;
4. To consider and approve the resolution for making appropriation to statutory surplus reserve fund for the year ended 31 December 2011;
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 2012;
6. To consider and approve the re-appointment of Pan-China (H.K.) CPA Limited as auditors of the Company and to authorize the Board to fix their remunerations;
7. To approve the resignation of Mr. Hou Guo Jun as an executive director of the Company;
8. To consider and approve the appointment of Mr. Shao Mao Xu as an executive director of the Company with effect from the date of passing of the relevant resolution at the AGM for a term of three years;

\* For identification purpose only

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## NOTICE OF ANNUAL GENERAL MEETING

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9. To consider and approve that:
- (a) the agreement (the “Master Purchase Agreement”) dated 12 March 2012 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 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 annual 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 2014 will not exceed RMB266,800,000, RMB266,800,000 and RMB266,800,000 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 RESOLUTION

1. To consider and approve the amendments to the articles of association of the Company (the “Articles of Association”) as follows:

Existing Article 2.02 of the Articles of Association reads:

“The scope of business of the Company includes: development and marketing of high and new water saving irrigation technologies; interim testing and marketing of advanced water saving fittings; technology transfer and service for water saving irrigation; development and utilization of computer application software for water saving irrigation; production and sales of PVC pipelines for water supply, PE pipelines and assemblies, pressure compensatory style drip films, labyrinth-style drip films, embedded-style drip films, agriculture films and drippers; import of scrap copper, scrap steel, scrap aluminum, scrap paper and scrap plastic; recycling and processing of scrap and obsolete plastic; distribution of electrical and mechanical goods (other than compact size vehicles) and chemical goods (other than dangerous chemical items and highly poisonous items); hydraulic industry (irrigation and drainage) (Class C); grade one subcontractor for construction of water saving irrigation project (specific scope is subject to quality certificate); business of exporting products and technologies produced by this enterprise itself and business of importing machinery and equipment, parts and components, raw and auxiliary materials and technologies required by this enterprise, other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State.”

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## NOTICE OF ANNUAL GENERAL MEETING

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It is proposed that the existing Article 2.02 of the Articles of Association be deleted in its entirety and replaced with the following new Article 2.02:

“The scope of business of the Company includes: development and marketing of high and new water saving irrigation technologies; interim testing and marketing of advanced water saving fittings; technology transfer and service for water saving irrigation; development and utilization of computer application software for water saving irrigation; production and sales of PVC pipelines for water supply, PE pipelines and assemblies, pressure compensatory style drip tape, labyrinth-style drip tape, embedded-style drip tape, agriculture films and drippers; import of scrap copper, scrap steel, scrap aluminum, scrap paper and scrap plastic; recycling and processing of scrap and obsolete plastic; distribution of electrical and mechanical goods (other than compact size vehicles) and chemical goods (other than dangerous chemical items and highly poisonous items); hydraulic industry (irrigation and drainage) (Class C); grade one subcontractor for construction of water saving irrigation project (specific scope is subject to quality certificate); business of exporting products and technologies produced by this enterprise itself and business of importing machinery and equipment, parts and components, raw and auxiliary materials and technologies required by this enterprise, other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State.”

By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Yin Xiu Fa**  
*Chairman*

Xinjiang PRC, 28 March 2012

\* *For identification purpose only*

### 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.

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## NOTICE OF ANNUAL GENERAL MEETING

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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 Saturday, 28 April 2012 to Friday, 18 May 2012, 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 Friday, 27 April 2012.
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 Friday, 27 April 2012.
6. Voting of the resolutions as set out in this notice will be by poll.
7. The AGM is expected to last for less than one day. Shareholders and their proxies shall attend the AGM at their own cost of travelling and accommodation.
8. The Company's registered address:  
No. 36, Bei San Dong Road, Shihezi Economic and Technology Development Zone,  
Shihezi, Xinjiang, the PRC.  
Fax: (86993) 262 3163