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新疆天業節水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

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

(Stock Code: 840)

CONNECTED TRANSACTION RELATING TO THE PURCHASE OF EQUITY INTEREST IN GANSU TIANYE

The Board announces that on 3 November 2009, the Company and minority shareholders of Gansu Tianye, a non-wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement. Pursuant to it, Zhongfa Chemical, Gao Jin Ming (高進明), Wang Hong Tao (王洪濤), and Chen Wei Zhong (陳衛忠) agreed to sell all their owned equity interest in Gansu Tianye and the Company agreed to purchase their respective equity interest in Gansu Tianye at a total consideration of RMB1,204,450.

Prior to completion of the Sale and Purchase Agreement, Gansu Tianye is owned as to (i) 90% by the Company; (ii) 9.5% by Zhongfa Chemical; (iii) 0.18% by Gao Jin Ming (高進明); (iv) 0.18% by Wang Hong Tao (王洪濤); (v) 0.14% by Chen Wei Zhong (陳衛忠). Immediately after the completion of the Sale and Purchase Agreement, Gansu Tianye will become a wholly owned subsidiary of the Company.

Zhongfa Chemical is a subsidiary of Tianye Company, a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company and hence is considered as a connected person of the Company for the purposes of the Listing Rules. According to Listing Rules, the sale and purchase of the equity interest in Gansu Tianye between the Company and Zhongfa Chemical constitutes a connected transaction of the Company. As the applicable percentage ratios for the Sale and Purchase Agreement are more than 0.1% but less than 2.5%, the entering into of the Sale and Purchase Agreement between the Company and Zhongfa Chemical is subject to reporting and announcement requirements by the Company and is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

* For identification purpose only

INTRODUCTION

On 3 November 2009, the Company and minority shareholders of Gansu Tianye, a non-wholly owned subsidiary of the Company entered into a Sale and Purchase Agreement. Pursuant to it, Zhongfa Chemical, Gao Jin Ming (高進明), Wang Hong Tao (王洪濤), and Chen Wei Zhong (陳衛忠) agreed to sell all their owned equity interest in Gansu Tianye and the Company agreed to purchase their respective equity interest in Gansu Tianye at a total consideration of RMB1,204,450. Immediately after the completion of the Sale and Purchase Agreement, Gansu Tianye will become a wholly owned subsidiary of the Company. A summary of the major terms of the Sale and Purchase Agreement is set out below.

THE SALE AND PURCHASE AGREEMENT

Date:	on 3 November 2009
Parties:	(i) Zhongfa Chemical, Gao Jin Ming (高進明), Wang Hong Tao (王洪濤), and Cheng Wei Zhong (陳衛忠) (as selling parties) (ii) The Company (as acquiring party)
Interest to be purchased:	Equity interest in Gansu & Tianye which is owned as to 9.5% by Zhongfa Chemical; 0.18% by Gao Jin Ming (高進明); 0.18% by Wang Hong Tao (王洪濤), and 0.14% by Cheng Wei Zhong (陳衛忠)
Effective Date of the Sale and Purchase:	The Sale and Purchase shall take effect on the date (the “Effective Date”) when the Sale and Purchase is approved by relevant PRC approval authorities, and all the procedures for registration of change of shareholders of Gansu Tianye with State Administration for Industry and Commerce are completed.

If the Effective Date has not occurred within 6 months from the date of the Sale and Purchase Agreement, unless the Parties otherwise agree in writing, the Sale and Purchase Agreement shall lapse unconditionally and all the rights and obligations of the Parties shall cease.

From the Effective Date, the Company shall become the owner of the entire equity interest in Gansu Tianye.

After the Effective Date, the Parties shall procure Gansu Tianye to complete relevant procedures for change of registration as required under the PRC laws, and for re-issue of relevant licenses and/or certificates of Gansu Tianye.

Consideration: Total consideration is RMB1,204,450 (the “Consideration”) which shall be payable within five business days after the Effective Date. The acquisition cost of respective equity interest in Gansu Tianye held by Zhongfa Chemical, Gao Jin Ming (高進明), Wang Hong tao (王洪濤) and Chen Wei Zhong (陳衛忠) are RMB1,144,500, RMB21,800, RMB21,800 and RMB16,350 respectively.

The original purchase cost paid by Zhongfa Chemical for the acquisition of the said 9.5% equity interest in Gansu Tianye was RMB1,050,000.

INFORMATION ABOUT THE COMPANY AND ZHONGFA CHEMICAL

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.

Zhongfa Chemical is principally engaged in production and sales of PVC resin, manufacturing of plastic films, plastic boards, pipes and rods, manufacturing and sales of plastic thread woven belts, ropes and packing belts, production and sales of industrial products.

INFORMATION ABOUT GANSU TIANYE

Gansu Tianye was established on 4 April 2002 in the PRC and is principally engaged in the production, sales and installation of water saving plastic products; the development and promotion of water saving irrigation technologies; the production, sales and installation of new water saving equipment; the sales of the raw materials for light chemical industries (other than those restricted by the State). The registered capital of Gansu Tianye is RMB11,050,000. Prior to completion of the Sale and Purchase Agreement, Gansu Tianye is owned as to (i) 90% by the Company; (ii) 9.5% by Zhongfa Chemical; (iii) 0.18% by Gao Jin Ming (高進明); (iv) 0.18% by Wang Hong Tao (王洪濤); (v) 0.14% by Chen Wei Zhong (陳衛忠).

So far as the Directors are aware, Gao Jin Ming (高進明), Wang Hong Tao (王洪濤) and Chen Wei Zhong (陳衛忠) are independent third parties to the Company and are not connected persons of the Company for the purpose of the Listing Rules.

The audited net profits before and after taxation of Gansu Tianye for the year ended 31 December 2007 and 31 December 2008 were as follows:

	For the year ended 31 December 2007	For the year ended 31 December 2008
	<i>RMB</i>	<i>RMB</i>
Audited net profit before taxation	<u>1,642,000</u>	<u>191,000</u>
Audited net profit after taxation	<u>1,480,000</u>	<u>172,000</u>

According to the audited financial statement of Gansu Tianye for the six months ended 30 June 2009, total assets was approximately RMB57,420,800, and net assets was approximately RMB12,067,300.

FINANCIAL EFFECT OF THE SALE AND PURCHASE

The Consideration was arrived at after arm's length negotiations between the Parties based on normal commercial terms and with reference to the net asset value of Gansu Tianye as at 30 June 2009.

It is intended that the Consideration will be funded by internal resources of the Company. The said funding requirement is not expected to have any material impact on the Company.

REASON FOR THE SALE AND PURCHASE

The acquisition of equity interest in Gansu Tianye from its minority shareholders will help the Company to strengthen its control over Gansu Tianye, help to promote water saving and irrigation technologies in Gansu Province and surrounding areas and to develop water saving and irrigation business outside Xinjiang. Besides, it helps to standardize corporate governance and reduce possible connected transactions that may occur. The Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement is determined on normal commercial terms, in the ordinary and usual course of business of the Company, the terms are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Zhongfa Chemical is a subsidiary of Tianye Company, a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company and hence is considered as a connected person of the Company for the purposes of the Listing Rules. According to Listing Rules, the sale and purchase of the equity interest in Gansu Tianye between the Company and Zhongfa Chemical constitutes a connected transaction of the Company. As the applicable percentage ratios for the Sale and Purchase Agreement are more than 0.1% but less than 2.5%, the entering into of the Sale and Purchase Agreement between the Company and Zhongfa Chemical is subject to reporting and announcement requirements by the Company and is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the transaction will be included in the next published annual report and accounts of the Company.

DEFINITIONS

“Board”	the board of Directors
“Company”	Xinjiang Tianye Water Saving Irrigation System Company Limited* (新疆天業節水灌溉股份有限公司), a joint stock limited company established in the PRC with limited liability on 18 December 2003 under the Company Law or its predecessor, 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
“Directors”	the directors (including the independent non-executive Directors) of the Company
“Gansu Tianye”	Gansu Tianye Water Saving Equipment Company Limited* (甘肅天業節水器材有限公司), a company incorporated in the PRC with limited liability on 4 April 2002 and a non-whole owned subsidiary of the Company
“H Shares”	the overseas listed foreign invested shares 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 Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the Company and Zhongfa Chemical, Gao Jin Ming (高進明), Wang Hong Tao (王洪濤), Chen Wei Zhong (陳衛忠)
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Administrative Region of the People’s Republic of China and Taiwan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 November 2009 entered into between Zhongfa Chemical, Gao Jin Ming (高進明), Wang Hong Tao (王洪濤), Chen Wei Zhong (陳衛忠), collectively as sellers and the Company as purchaser in relation to the purchase of the equity interest in Gansu Tianye
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 248,832,000 A shares of which were listed on the Shanghai Stock Exchange as at the date of this announcement, a controlling shareholder of the Company and Zhongfa Chemical

“Zhongfa Chemical”

Xinjiang Shihezi Zhongfa Chemical Company Limited* (新疆石河子中發化工有限責任公司), a non-wholly owned subsidiary of Tianye Company

“%”

per cent

By order of the Board of
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Guo Qin Ren
Chairman

Xinjiang, PRC, 3 November 2009

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

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the announcement, the omission of which would make any statement in this announcement misleading.