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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)

REVISION OF ANNUAL CAPS FOR THE EXISTING CONTINUING CONNECTED TRANSACTION

Reference is made to the announcement dated 17 March 2009 (the “March 2009 Announcement”) made by the Company in relation to the Master Sales Agreement entered into between the Company and Tianye Holdings on 16 March 2009, in respect of the supply of drip films, PVC/PE pipelines and drip assemblies by the Group to Tianye Holdings Group.

LISTING RULES IMPLICATIONS

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

Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded or likely to be exceeded, 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 Revised Annual Caps under the Master Sales Agreement is less than 2.5% under Rule 14A.34 of the Listing Rules, the Master Sales Agreement and the Revised Annual Caps are only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules respectively and is exempt from the independent shareholders approval requirements.

* *For identification purposes only*

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Details of Master Sales Agreement

Date of agreement: 16 March 2009

Parties: (1) the Company (for itself and on behalf of its subsidiaries); and
(2) Tianye Holdings (for itself and on behalf of its subsidiaries).

Subject: Sale of PVC/PE pipelines, drip films and drip assemblies.

Price: To be determined by reference to the market price charged by independent third parties from time to time and pursuant to the terms set out therein by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Payment terms: Details of the payment terms shall be defined in each of the separate contracts to be entered by the Group and Tianye Holdings Group on terms mutually agreed in accordance with the terms and conditions of the Master Sale Agreement, it is generally expected that the payment shall be made within 1 month from the date of delivery.

Reasons for the Master Sales Agreement

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.

The Group supplies the drip films, PVC/PE pipelines and drip assemblies to Tianye Holdings Group. The Directors consider that it is in the interest of the Group to enter into the Master Sales Agreement as sales to Tianye Holdings Group will increase the volume of sales on the Group's products and the profit of the Group.

Revision of the maximum annual caps for the Master Sales Agreement

Since Tianye Holdings has placed additional orders to the Company in December 2009 to meet the needs for the construction of water supply and drainage facilities for its new green plant project within the factory. After taking into account the increased demand from Tianye Holdings for the coming years attributable to the new project, the amounts of drip films, PVC/PE pipelines and drip assemblies supplied to Tianye Holdings by the Company pursuant to the Master Sales Agreement will exceed the original projection and will reach around RMB8,600,000 for the financial years ending 31 December 2009, 31 December 2010 and 31 December 2011. For the eleven months ended 30 November 2009, the amounts of PVC/PE pipelines and drip assemblies supplied to Tianye Holdings Group by the Group, pursuant to the Master Sales Agreement, reached RMB5,830,000, representing approximately 97.2 per cent of the maximum annual cap of RMB6,000,000 for the financial year ending 31 December 2009. The Company anticipates that the amounts of drip films, PVC/PE pipelines and drip assemblies supplied to Tianye Holdings Group by the Group for each of the financial years ending 31 December 2009, 31 December 2010 and 31 December 2011 will exceed the announced caps, therefore the Directors propose to increase the maximum annual cap for each of the financial years ending 31 December 2009, 31 December 2010 and 31 December 2011 from RMB6,000,000, RMB6,000,000 and RMB6,000,000 to RMB8,600,000, RMB8,600,000 and RMB8,600,000 (“the Revised Annual Caps”) respectively, in order to reflect the revised projection for the supply of drip films, PVC/PE pipelines and drip assemblies by the Group to Tianye Holdings Group.

The Directors, including the independent non-executive Directors, consider that the Revised Annual Caps to be fair and reasonable and in the interests of the Shareholders and the Company as a whole, and the transactions are on normal commercial terms and are in the ordinary and usual course of business of the Company. The Directors also confirm that all the terms and conditions of the Master Sales Agreement as disclosed in the March 2009 Announcement remain unchanged.

INFORMATION RELATING TO THE COMPANY AND TIANYE HOLDINGS

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 Holdings is principally engaged 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.

LISTING RULES IMPLICATIONS

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

Pursuant to Rule 14A.36(1) of the Listing Rules, where a previously announced annual cap is exceeded or likely to be exceeded, 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 Revised Annual Caps under the Master Sales Agreement is less than 2.5% under Rule 14A.34 of the Listing Rules, the Master Sales Agreement and the Revised Annual Caps are only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.40 of the Listing Rules respectively and is exempt from the independent shareholders approval requirements.

DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“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
“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”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors (including the independent non-executive Directors) of the Company
“Domestic Share(s)”	domestic shares of nominal value RMB1.00 each in the registered capital of the Company which are subscribed for or credited as fully paid up in Renminbi

“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares of nominal value 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
“independent shareholders”	Shareholders other than Tianye Holdings and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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 16 March 2009 for the sales by the Group to Tianye Holdings Group of the PVC/PE pipelines, drip films and drip assemblies
“No. 8 Division”	No. 8 Division of Agricultural Construction of XPCR (新疆生產建設兵團農業建設第八師), an administrative management unit under supervision of XPCR
“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
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAAC of No. 8 Division”	State-owned Assets Administrative Commission of No. 8 Division (第八師國有資產管理委員會), a PRC government body which owns 100% of the registered capital of Tianye Holdings
“Share(s)”	ordinary shares in the capital of the Company with a nominal value of RMB1.00 each, comprising Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares

“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, the controlling shareholder of the Company, and 248,832,000 A shares of which were listed on the Shanghai Stock Exchange as at the date hereof. It 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.
“Tianye Company Group”	Tianye Company and its subsidiaries
“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. It owns approximately 43.27% of the registered capital of Tianye Company as the date hereof
“Tianye Holdings Group”	Tianye Holdings and its subsidiaries (including Tianye Company Group but excluding the Group)
“XPCR”	Xinjiang Production and Construction Regiment (新疆生產建設兵團), a provincial administrative managerial authority

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

Xinjiang, PRC, 23 December 2009

* For identification purposes only

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.