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Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the prospectus dated 21st February, 2006 (the "Prospectus") issued by the 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 limited company incorporated in the People's Republic of China)

(Stock code: 8280)

**ANNOUNCEMENT
EXERCISE OF OVER-ALLOTMENT OPTION**

The Board would like to announce that Sun Hung Kai (for itself and on behalf of the Underwriters) exercised the Over-allotment Option in full on 23rd March, 2006 to require the Company to issue the Over-allotment Shares, representing 15% of the total number of the Placing Shares initially available under the Placing, at the Placing Price of HK\$1.18 per H Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) to cover over-allocations in the Placing.

The Board would like to announce that Sun Hung Kai (for itself and on behalf of the Underwriters) exercised the Over-allotment Option in full on 23rd March, 2006 to require the Company to issue an aggregate of 26,400,000 additional H Shares (the "Over-allotment Shares"), representing 15% of the total number of the Placing Shares initially available under the Placing, at the Placing Price of HK\$1.18 per H Share (exclusive of brokerage fee, Stock Exchange trading fee and SFC transaction levy) to cover over-allocations in the Placing. Listing of and permission to deal in the Over-allotment Shares have already been granted by the GEM Listing Committee. Dealing in the Over-allotment Shares are expected to commence on the GEM at 9:30 a.m. on 24th March, 2006.

The shareholding structure of the Company immediately before and after the issue of the Over-allotment Shares by the Company is summarised as follows:

Shareholders	Immediately before the issue of the Over-allotment Shares		Immediately after the issue of the Over-allotment Shares	
	Number of Shares	Approximate percentage of the Company's issued share capital	Number of Shares	Approximate percentage of the Company's issued share capital
<i>Initial Management Shareholders</i>				
Tianye Company (Note 1)	202,164,995	41.00%	202,164,995	38.91%
	Domestic Shares		Domestic Shares	
Li Tai Lai (Note 2)	93,994,831	19.06%	93,994,831	18.09%
	Domestic Shares		Domestic Shares	
Guo Shu Qing (郭書清)	9,386,798	1.90%	9,386,798	1.81%
	Domestic Shares		Domestic Shares	
Wang Xiao Xian (王孝先)	8,340,297	1.69%	8,340,297	1.61%
	Domestic Shares		Domestic Shares	
Machinery Science	2,410,123	0.49%	2,410,123	0.46%
	Domestic Shares		Domestic Shares	
Northwest Sci-Tech	824,516	0.17%	824,516	0.16%
	Domestic Shares		Domestic Shares	
<i>Holder of H-Shares</i>				
Public	176,000,000	35.69%	202,400,000	38.96%
	H Shares		H Shares	
Total	<u>493,121,560</u>	<u>100%</u>	<u>519,521,560</u>	<u>100%</u>

Note 1. As Tianye Holding is interested in approximately 57.14% of the registered capital of Tianye Company, Tianye Holdings is therefore deemed to be interested in the same 202,164,995 Domestic Shares held by Tianye Company by virtue of the SFO. Tianye Company is an Initial Management Shareholder.

Note 2. As Yang Ming Gui (楊明貴) is interested in 58% of the registered capital of Li Tai Lai, Yang Ming Gui (楊明貴) is therefore deemed to be interested in the same 93,994,831 Domestic Shares held by Li Tai Lai by virtue of the SFO. Li Tai Lai is an Initial Management Shareholder.

After deducting the expenses (comprising principally of the underwriting commission, the SFC transaction levy and the Stock Exchange trading fee), the Company will receive additional net proceeds of approximately HK\$31 million from the issue and allotment of the Over-allotment Shares. Such additional proceeds will be used by the Group as described in the section headed "Statement of business objectives" in the Prospectus.

Immediately after the issue of the Over-allotment Shares, the total number of Shares in issue will be 519,521,560, of which an aggregate of 202,400,000 H Shares will be held by the public, representing approximately 38.96% of the total number of Shares in issue as enlarged by the Over-allotment Shares.

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

Executive Directors:

Guo Qing Ren
Shi Xiang Shen
Huang Yao Xin
Li Shuang Quan

Independent non-executive Directors:

He Lin Wang
Xia Jun Min
Gu Lie Feng

Hong Kong, 24th March, 2006

* *For identification purposes only*

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement and a copy of the Prospectus will remain on the GEM website at <http://www.hkgem.com> and in the case of the announcement, on the "Latest Company Announcements" page for at least 7 days from the date of its posting.