

THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed dealer, or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 circular 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 circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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: 8280)

PROPOSED CHANGE OF AUDITORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (the "EGM") of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the People's Republic of China on 16 February 2007 at 11:00 a.m., is set out on pages 4 and 5 of this circular.

Whether or not you intend to attend and vote at the EGM (as defined herein), please complete and return the enclosed form of proxy enclosed with 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 at 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 EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.

* For identification purposes only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of The Stock Exchange of Hong Kong Limited and no assurance is given that there will a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed companies.

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the content requires otherwise:

“Article of Association”	the existing articles of association of the Company;
“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 incorporated in the PRC and the H Shares of which are listed on GEM;
“Directors”	the directors of the Company;
“Deloitte”	Deloitte Touche Tohmatsu, Certified Public Accountants;
“Domestic Shares”	domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company which are subscribed for in RMB;
“EGM”	the extraordinary general meeting of the Company to be held at 11:00 a.m. on 16 February 2007 at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“H Shares”	Overseas listed foreign shares in the ordinary share capital of the Company;
“PRC”	the People’s Republic of China;
“Shares”	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;
“SHINEWING”	SHINEWING (HK) CPA Limited;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“RMB”	Renminbi, the lawful currency of the PRC.



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)

Executive Directors:

Mr Guo Qing Ren (*Chairman*)
Mr Shi Xiang Shen
Mr Huang Yao Xin
Mr Li Shuang Quan

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

Principal place of business in Hong Kong:
21/F New World Tower 1,
18 Queen's Road Central,
Central,
Hong Kong

To the Shareholders

Dear Sir or Madam,

**PROPOSED CHANGE OF AUDITORS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

The Board proposed to change the auditors of the Company subject to the approval of the Shareholders.

Reference is made to the Announcement of the Proposed Change of Auditors made on 28 December 2006 and 3 January 2007.

Deloitte were re-appointed as auditors of the Group at the last annual general meeting of the Company held on 19 May 2006 to hold office until the conclusion of the next annual general meeting of the Company. The Company could not reach agreement with Deloitte in respect of the auditors' remuneration for the financial year ended 31 December 2006. As the Company aims to carry out effective cost control and reduce overall operating expenses of the Company, the Board considers that it is in the best interest of the Group and Shareholders as a whole to replace Deloitte with other auditors with whom the Company can agree the audit fees. Hence, the Board proposed to remove Deloitte as the auditors of the Group by an ordinary resolution at the EGM.

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LETTER FROM THE BOARD

The Company is incorporated in the PRC and it has been advised by its PRC lawyers that there is no requirement under the PRC laws for removal of auditors to provide a confirmation letter to the Company confirming whether or not there are any circumstances connected with their removal which they consider should be brought to the attention of the Shareholders. The Company was informed by Deloitte that they will not issue the confirmation letter unless there is a matter needed to be brought to the attention of the Shareholders. If there is any matter that Deloitte would bring to the attention to the Shareholders, the Company will make an announcement immediately.

To the best knowledge of the Board, other than the disagreement over audit fees, there are also no circumstances connected with the change of auditors which they consider should be brought to the attention of the Shareholders or creditors of the Group. The Board further confirms that there is no other disagreement between the Company and Deloitte regarding the change of auditors, save as the audit fees. If the Company or Deloitte would like to bring any matter to the attention of the Shareholders and creditors of the Group for removal of auditors, the Company will make an announcement accordingly.

The Board further proposed to appoint SHINEWING as auditors of the Company to fill the vacancy arising from the removal of Deloitte and hold office until the conclusion of the next annual general meeting of the Company. The appointment of SHINEWING as auditors of the Company in place of Deloitte is subject to the approval by an ordinary resolution at the EGM to be convened pursuant to the Articles of Association of the Company.

Deloitte have not yet commenced any audit work on the accounts of the Company and its subsidiaries for the financial year ended 31 December 2006. It is expected that the change of auditors of the Company will not affect the audit and the release of the annual results of the Company for the financial year ended 31 December 2006 provided that the appointment of new auditors as proposed below is duly approved by the Shareholders. On 21 and 29 December 2006, SHINEWING wrote to Deloitte for a professional clearance letter. However, up to today, SHINEWING still has not received the professional clearance letter. In this regard, the Company will make an announcement once the professional clearance letter is received or for any matters that differ from what the Company has previous disclosed regarding the removal of auditors.

None of the Shareholders of the Company are required to abstain from voting at the EGM. The notice of the EGM is set out in this circular.

ACTION TO BE TAKEN

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to be present at the EGM, 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 EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL

Subject to the requirements under the GEM Listing Rules and pursuant to Article 8.19 of the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before the declaration of the result of the show of hands) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least two Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members of the Company having the right to vote at the meeting.

RECOMMENDATION

The Board is of the opinion that the removal of Deloitte as the auditors of the Group and the nomination and appointment of SHINEWING as auditors of the Company are in the best interest of the Company and recommend you to vote in favour of the resolutions to be proposed at the EGM of the Company.

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

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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: 8280)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) will be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the People's Republic of China (the “**PRC**”) on 16 February 2007 at 11:00 a.m., for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

ORDINARY RESOLUTIONS

1. To remove Deloitte Touche Tohmatsu as the auditors of the Company and its subsidiaries with immediate effect;
2. To appoint SHINEWING (HK) CPA Limited as the auditors of the Company and its subsidiaries to fill the vacancy following the removal of Deloitte Touche Tohmatsu with immediate effect and to authorize the board of directors of the Company to fix their remuneration.

By order of the Board of
**Xinjiang Tianye Water Saving
Irrigation System Company Limited***
Wong Hon Kei Anthony
Company Secretary

Xinjiang, the People's Republic of China, 3 January 2007

Notes:

- (i) A member of the Company entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is holder of two or more shares may appoint more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (ii) In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, 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

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NOTICE OF EXTRAORDINARY GENERAL MEETING

Domestic Shares only), not less than 24 hours before the time appointed for holding EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

- (iii) Shareholders or their proxies shall present proofs of identities when attending the extraordinary general meeting.
- (iv) The register of members of the Company will be closed from 26 January 2007 to 16 February 2007 both days inclusive, during which no transfer of share 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 25 January 2007. Shareholders of the company whose name appears on the register of members of the company at 4:00 p.m. on 25 January 2007 will be entitled to attend and vote at the EGM.
- (v) Shareholders of the Company who intend to attend the EGM 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 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), by hand, by post or by fax (the fax number of the Company's H Share registrar and transfer office: (852) 2861 1465 for holders of H Shares only or the Company's fax number: (86 993) 2623163 (for holders of Domestic Shares only)) on or before 4:00 p.m. Thursday, 25 January 2007.