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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)

**PROPOSED MIGRATION ON THE LISTING OF THE H SHARES FROM
THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD
OF THE STOCK EXCHANGE OF HONG KONG LIMITED
AND
PROPOSED VOLUNTARY WITHDRAWAL OF LISTING OF THE H SHARES
ON THE GROWTH ENTERPRISE MARKET
OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

Further to the announcement of the Company dated 22 March 2007, the Board would like to announce that on 14 May 2007, Sun Hung Kai and KGI Capital acting as the Company's Joint Sponsors have, on behalf of the Company, submitted an advance booking form for the Proposed Introduction to the Stock Exchange. The Stock Exchange will also be notified of the Company's intention to implement the Voluntary Withdrawal. The Voluntary Withdrawal will be conditional upon, amongst other things, the approval by the Shareholders, the CSRC and the Stock Exchange of the Proposed Introduction.

The Proposed Introduction and the Voluntary Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.

INTRODUCTION

Further to the announcement of the Company dated 22 March 2007, the Board would like to announce that on 14 May 2007, Sun Hung Kai and KGI Capital acting as the Company's Joint Sponsors have, on behalf of the Company, submitted an advance booking form for the Proposed Introduction to the Stock Exchange. The Stock Exchange will also be notified of the Company's intention to implement the Voluntary Withdrawal. However, the Directors would like to emphasize that both the Proposed Introduction and the Voluntary Withdrawal are at a preliminary stage and that the definitive timetable for the Proposed Introduction and the Voluntary Withdrawal has yet to be finalised.

REASONS FOR THE PROPOSED INTRODUCTION AND VOLUNTARY WITHDRAWAL

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. The Group is also engaged in the provision of installation services of water saving irrigation system for its customers. Since the listing of the H Shares on GEM of the Stock Exchange on 28 February 2006, the Group has grown rapidly in terms of the scope of its markets and the range of new products. Its profit attributable to equity holders of the Company for the last two years has increased significantly from approximately RMB52,658,000 (equivalently to approximately HK\$52,658,000) for the year ended 31 December 2005 to approximately RMB62,497,000 for the year ended 31 December 2006 (equivalent to approximately HK\$62,497,000).

After reviewing the financial performance of the Group and taking into consideration the potential advantages of the Proposed Introduction and the current favourable market conditions, the Directors are of the view that a listing on the H Shares on the Main Board will help enhance the profile of the Group, resulting in further coverage and recognition from leading industry analysts and the investing public, including institutional investors, as well as an increase in the liquidity of the Shares. The Directors consider that the listing of the H Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group. The Directors further confirm that there is no new fund raising in the Proposed Introduction.

CONDITIONS OF THE PROPOSED INTRODUCTION AND THE VOLUNTARY WITHDRAWAL

If the Company proceeds with the Proposed Introduction, the Voluntary Withdrawal will be conditional upon, among other things:

- (i) the granting of the relevant approval by the CSRC and other PRC authorities in connection with the Proposed Introduction and the Voluntary Withdrawal;
- (ii) the passing of a special resolution by the Shareholders at the EGM to be convened to approve the Proposed Introduction and the Voluntary Withdrawal after the hearing held by the Listing Committee for the listing of the H Shares on the Main Board;
- (iii) the passing of a special resolution by the holders of the Domestic Shares and the H Shares at respective class meetings to be convened to approve the Proposed Introduction and the Voluntary Withdrawal after the hearing held by the Listing Committee for the listing of the H Shares on the Main Board;
- (iv) the publication of a notice of the Voluntary Withdrawal as required by the GEM Listing Rules after the approval from the Shareholders and the holders of the Domestic Shares and the H Shares have been obtained at an extraordinary general meeting and class meetings, respectively (subject to any waiver that may be granted by the Stock Exchange); and

(v) the Listing Committee granting the approval for the listing of and permission to deal in the H Shares on the Main Board and the Voluntary Withdrawal.

In this regard, if the Company proceeds with the Proposed Introduction, the EGM and the separate Class Meetings will be respectively convened at an appropriate time to seek the approval of the Shareholders for the Proposed Introduction and the Voluntary Withdrawal.

There is no assurance that permission will be obtained from the Stock Exchange for the Proposed Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Introduction and the Voluntary Withdrawal are subject to certain conditions to be fulfilled and thus may or may not become effective. **Accordingly, the Proposed Introduction and the Voluntary Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.**

GENERAL

If the Company proceeds with the Proposed Introduction and the Voluntary Withdrawal, a circular containing, amongst other things, further details of the Proposed Introduction and the Voluntary Withdrawal, the expected timetable and the notices convening the EGM and the separate Class Meetings will be dispatched to the Shareholders as soon as practicable. A listing document in relation to the Proposed Introduction and the Voluntary Withdrawal will also be dispatched to the Shareholders for their information following the receipt of a preliminary indication of the approval for the Proposed Introduction from the Stock Exchange. In this regard, the Company will submit an application for a waiver (which may or may not be granted) from strict compliance with the minimum three-month notice period for the Voluntary Withdrawal as required under Rule 9.19(3) of the GEM Listing Rules to a minimum of five clear business days.

Further announcements will be made by the Company to keep the Shareholders informed on the latest progress of the Proposed Introduction and the Voluntary Withdrawal.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Board”	the board of Directors;
“Class Meeting(s)”	the separate class meetings of the holders of H Shares and holders of Domestic Shares to approve, among other things, the Proposed Introduction and the Voluntary Withdrawal;
“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 PRC and the H Shares of which are listed on GEM;
“CSRC”	中國證券監督管理委員會 China Securities Regulatory Commission;

“Director(s)”	the director(s) of the Company;
“Domestic Share(s)”	the domestic share(s) of a nominal value of RMB1.00 each in the share capital of the Company which are subscribed for in RMB;
“EGM”	an extraordinary general meeting of the Company to be convened to approve, among other things, the Proposed Introduction and the Voluntary Withdrawal;
“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 (as defined in the GEM Listing Rules);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Share(s)”	the overseas listed foreign invested share(s) of a nominal value of RMB1.00 each in the share capital of the Company, which are listed on GEM and subscribed for and traded in HK\$;
“Joint Sponsors”	Sun Hung Kai and KGI Capital Asia Limited, being the joint sponsors to the Company in respect of the Proposed Introduction;
“KGI Capital”	KGI Capital Asia Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance), being one of the Joint Sponsors;
“Listing Committee”	The listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM;
“PRC”	for the purposes of this announcement, the People’s Republic of China, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“Proposed Introduction”	the proposed listing of the H Shares on the Main Board by way of introduction pursuant to the Listing Rules;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	H Share(s), Domestic Share(s) and all shares(s) of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sun Hung Kai”	Sun Hung Kai International Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) for regulated activities of type 1 (dealing in securities) and type 6 (advising on corporate finance), being one of the Joint Sponsors;
“Voluntary Withdrawal”	the proposed voluntary withdrawal of the listing status of the H Shares from GEM.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.00 for the purpose of illustration only. No representation is made and there is no assurance that RMB or HK\$ can be purchased or sold at such rate.

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

Xinjiang, the PRC, 14 May 2007

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

* For identification purpose only