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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)

CLARIFICATION ANNOUNCEMENT

This announcement is made at the request of The Stock Exchange of Hong Kong Limited to make clarification regarding a newspaper article that was published in the Hong Kong Economic Times on 20th July 2007 which stated that permanent tax benefit has granted by the PRC tax authority to the Company since 1st July 2007. The Board of Directors considers that the Article is inaccurate.

The Company is requested by the Stock Exchange to make clarification regarding the Article. The Board confirms that the Board is not aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be price-sensitive nature.

Also, the Board has noted today's increases in the price and trading volume of shares of the Company and wishes to state that the Board is not aware of any reasons for such movements.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

The Company has been asked by The Stock Exchange of Hong Kong Limited ("Stock Exchange") to make clarification regarding an article published in the Hong Kong Economic Times on 20th July 2007 ("Articles"), in relation to permanent tax benefit granted by the State Administration of Taxation to the Company.

On 30th May 2007, Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總局) of the People's Republic of China (the "PRC") issued "Notice of Exemption of Value-added Tax on Drip Films and Drip Assemblies and Pipelines Products" (財稅[2007]83號《關於免徵滴灌帶和滴灌管產品增值稅的通知》) ("Notice"), by which the value-added tax on the production, wholesaling and retailing of the products of drip films and drip assemblies and PVC/PE pipelines are exempted with effect from 1st July 2007. Accordingly, on 12th July 2007, the Company submitted its application to the State Administration of Taxation for exemption from value-added tax for producing and selling the drop films and drip assemblies and PVC/PE pipelines. As at the date of this announcement, the Company still has not received any reply from the State Administration of Taxation.

Furthermore, pursuant to the Notice, there are requirements on the value-added tax exemption: (1) the turnover of the drip films and drip assemblies and pipelines is required to be audited separately and an unaudited turnover of the products will not be benefit from such exemption; (2) an ordinary tax receipt, instead of value-added tax receipts, will be used in relation to sale of the drip films and drip assemblies and PVC/PE pipelines; and (3) the quality of the drip films and drip assemblies and PVC/PE pipelines shall be approved by the State Administration of Taxation. The State Administration of Taxation has the absolute discretion to withdraw such value-added tax exemption.

The Board considers that the Article is inaccurate in stating that the Company has been granted to the permanent tax benefit by the State Administration of Taxation.

Apart from the tax benefit granted by the State Administration of Taxation, the Board has no further comments on the contents as referred in the Article.

Also, the Board has noted today's increases in the price and trading volume of shares of the Company and wishes to state that the Board is not aware of any reasons for such movements.

The Board also confirms that there are no negotiations or agreement relating to intended acquisitions or realisations which are discloseable under Chapters 19 and 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be price-sensitive nature.

The directors of the Company collectively and individually accept responsibility for the accuracy of this announcement.

Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

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, 20th July 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 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 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: (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.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for at least 7 days from the day of its posting.

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