

**FURTHER INFORMATION ABOUT THE COMPANY****1. Establishment of the Company**

The predecessor of the Company, Xinjiang Shihezi Tianye Water Saving Container Development Company Limited (新疆石河子天業節水器具開發有限公司) (“Tianye Container”), was established in the PRC as a limited liability company on 27th December, 1999.

On 26th December, 2000, the name of the Company was changed from Tianye Container to Xinjiang Shihezi Oasis Water Saving Irrigation System Company Limited (新疆石河子市綠洲節水灌溉有限公司) (“Oasis Water Saving”).

On 28th November, 2003, the People’s Government of Xinjiang Uygur Autonomous Region of China (新疆維吾爾自治區人民政府) approved the reorganisation of Oasis Water Saving into a joint stock limited company by way of promotion with the Promoters acting as its promoters. On 18th December, 2003, the Industrial and Commercial Administration Bureau of Xinjiang Uygur Autonomous Region of China (新疆維吾爾自治區工商行政管理局) issued a business licence to the Company whereupon Oasis Water Saving was reorganised into a joint stock limited company with the name of Xinjiang Tianye Water Saving Irrigation System Company Limited (新疆天業節水灌溉股份有限公司).

Since the Company was established in the PRC, it is required to comply with the laws and regulations of the PRC. A summary of the relevant laws and regulations of the PRC and a summary of the Articles of Association are set out in Appendices IV and V to this document respectively.

*Procedures and approvals*

The conversion of the Company into a joint stock limited company involved, among other matters, the following procedures and approvals:

- (a) on 10th July, 2003, the Promoters entered into a promoters agreement pursuant to which the Promoters had agreed, among other matters, to the conversion of Oasis Water Saving into the Company;
- (b) on 28th November, 2003, the People’s Government of Xinjiang Uygur Autonomous Region of China issued an Approval for the Change and Establishment of Xinjiang Tianye Water Saving Irrigation System Company Limited (Xin Zheng Han [2003] No. 193) (《關於同意變更設立新疆天業節水灌溉股份有限公司的批覆》新政函[2003]193號) approving, among other matters, the registered capital of the Company, the respective shareholdings of the Promoters in the Company and the conversion of Oasis Water Saving into the Company;
- (c) on 5th December, 2003, the inaugural meeting of the Company was convened at which, among other matters, the following resolutions were passed by all the Promoters:
  - (i) the initial directors and supervisors of the Company were appointed; and
  - (ii) the then articles of association of the Company were adopted;

- (d) on 18th December, 2003, the Industrial and Commercial Administration Bureau of Xinjiang Uygur Autonomous Region of China issued a business licence to the Company whereupon the Company was registered as a joint stock limited company with a registered capital of RMB317,121,560;
- (e) at the time of its conversion into a joint stock limited company, the Company's registered capital was RMB317,121,560 divided into 317,121,560 Domestic Shares with a nominal value of RMB1.00 each. The Domestic Shares were subscribed and fully paid up by the Promoters as follows:

<b>Promoters</b>	<b>Number of Domestic Shares subscribed</b>	<b>Approximate percentage of shareholding</b>
Tianye Company	202,164,995	63.75%
Li Tai Lai	93,994,831	29.64%
Machinery Science	2,410,123	0.76%
Northwest Sci-Tech	824,516	0.26%
Wang Xiao Xian	8,340,297	2.63%
Guo Shu Qing	<u>9,386,798</u>	<u>2.96%</u>
Total:	<u>317,121,560</u>	<u>100%</u>

- (f) on 30th April, 2004, the 2003 annual general meeting of the Company was convened at which, among other matters, the following resolutions were passed by all the then Shareholders:
- (i) the proposed application to the Stock Exchange for the issue of H Shares and the listing thereof on the Stock Exchange be approved;
  - (ii) the proposal for the use of proceeds raised by the issue of H Shares be approved; and
  - (iii) the Board be authorised to deal with all matters in relation to the listing of the Company;
- (g) the Approval of the Administration of the State's Shareholding in the Company (Guo Zi Chan Quan [2004] No. 1088) (關於新疆天業節水灌溉股份有限公司國有股權管理有關問題的批覆(國資產權[2004]1088號)) was issued by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) on 27th November, 2004, pursuant to which the Domestic Shares held by Tianye Company, Machinery Science and Northwest Sci-Tech are regarded as stated-owned Shares and the holders of the stated-owned Shares are required to administer their Shares in accordance with the relevant rules and regulations in the PRC;
- (h) on 10th December, 2004, the State-owned Assets Supervision and Administration Commission of the State Council issued an Approval in relation to the Undertaking made by the Holder of the State-owned Shares in the Company (Chan Quan Han [2004] No. 33) (關於我委同意新疆天業節水灌溉股份有限公司國有股股東減持國有股上繳全國社保基金有關承諾的函(產權函[2004]33號) by which the State-

owned Assets Supervision and Administration Commission of the State Council approved the undertaking made by Tianye Holdings for which Tianye Holdings will make adequate contribution to the National Social Security Fund Committee (全國社會保障基金理事會) as required under the relevant rules and regulations of the PRC according to the shareholding held by Tianye Company, Machinery Science and Northwest Sci-Tech in the Company at the time of listing of the Company;

- (i) on 7th April, 2005, CSRC issued an Approval for the Issue of Overseas Listed Foreign Shares by the Company (Zheng Jian Guo He Zi [2005] No. 11) (關於同意新疆天業節水灌溉股份有限公司發行境外上市外資股的批覆(證監國合字[2005]11號), pursuant to which the CSRC granted the consent to the Company for the issue of not more than 242,650,000 H Shares (including the H Shares to be issued upon the exercise of the Over-allotment Option of 31,650,000 H Shares) and to apply for the listing of H Shares on GEM;
- (j) on 15th April, 2005, the 2004 annual general meeting of the Company was convened at which, among other matters, the following resolutions were passed:
  - (i) amendments to the relevant provisions of the then articles of association of the Company in relation to the number of Directors; and
  - (ii) He Lin Wang, Xia Jun Min and Gu Lie Feng were appointed as independent non-executive Directors while Huang Jun Lin and He Jie were appointed as Supervisors;
- (k) on 28th July, 2005, an extraordinary general meeting of the Company was convened at which, among other matters, the following resolutions were confirmed, ratified and passed:
  - (i) Xia Jun Min, He Lin Wang and Gu Lie Feng were appointed as independent non-executive Directors;
  - (ii) the Directors be authorised to handle all the matters (if necessary) in relation to the contribution made to the National Social Security Fund Committee by Tianye Holdings; and
  - (iii) the granting of the Over-allotment Option to Sun Hung Kai;
- (l) on 7th February, 2006, an extraordinary general meeting of the Company was convened at which, among other matters, the following resolutions were passed:
  - (i) the Articles of Association were adopted, subject to such changes as the regulatory authorities in the PRC and the Stock Exchange may require;
  - (ii) the amendments to the proposal for the use of proceeds raised by the issue of H Shares be approved;
  - (iii) conditional upon (a) the GEM Listing Committee granting the listing of and permission to deal in the H Shares (including any H Shares which may be issued upon the exercise of the Over-allotment Option) on GEM; and (b) the obligations of the Underwriters under the Underwriting Agreement referred to

in the section headed “Underwriting” of the prospectus becoming unconditional and not being terminated in accordance with the terms of that agreement or otherwise, in each case on or before the day following 30 days after the date of the prospectus issued on 23rd March, 2006:

- (aa) the registered capital of the Company was increased from RMB317,121,560 to not less than RMB493,121,560 and not more than RMB519,521,560 by the creation of not less than 176,000,000 H Shares and not more than 202,400,000 H Shares having a nominal value of RMB1.00 each; and
- (bb) the Placing, the issue and allotment of 176,000,000 H Shares and an additional of not more than 26,400,000 H Shares as may be required to allot and issue upon the exercise of the Over-allotment Option were approved;
- (iv) the terms of the service agreements with the Directors, the Supervisors and the company secretary and qualified accountant of the Company were approved, confirmed and ratified (as the case maybe).

#### *Founder shares*

Save for the Promoters’ Shares, the Company has no founder shares, management shares or deferred shares.

## **2. Changes in the share capital and shareholding structure of the Company**

Immediately after the Completion of the listing of the H Shares on GEM on 28 February, 2006, the registered Capital of the Company was RMB519,521,560 and was held as follow:

<b>Name of Shareholders</b>	<b>Nature of Shares held Domestic Shares</b>	<b>Number of Shares of RMB1.00 each held</b>	<b>Approximate percentage of register Capital in the Company</b>
Tianye Company	Domestic Shares	202,164,995	38.91%
Li Tai Lai	Domestic Shares	93,994,831	18.09%
Guo Shu Qing	Domestic Shares	9,386,798	1.81%
Wang Xiano Xian	Domestic Shares	8,340,297	1.61%
Machinery Science	Domestic Shares	2,410,123	0.46%
Northwest Sci-Tech	Domestic Shares	824,516	0.16%
Public Shareholders	H Shares	202,400,000	38.96%

Save as disclosed in this Appendix, there has been no alteration in the registered capital of the Company within two years immediately preceding the date of this document.

### 3. Changes in the share capitals of the subsidiaries of the Company

The following alterations in the share capitals of the Company's subsidiaries have taken place within two years immediately preceding the date of this document:

(a) *Hami Tianye*

On 30th August, 2006, the registered capital of Hami Tianye was increased from RMB10,000,000 to RMB19,000,000. Pursuant to a verification report dated 20th September, 2006, the increased amount of RMB9,000,000 has been fully paid up as to RMB5,400,000, representing 60% of the increased amount, by the Company on 19th September, 2006 and the remaining balance of RMB3,600,000 by the minority shareholders on 11th September, 2006.

(b) *Tianye Recycling*

On 1st November, 2005, the Company entered into a capital increase agreement with Alashankou Tianye and Tianye Recycling, pursuant to which the Company agreed to subscribe the increased amount of the registered capital of Tianye Recycling of RMB2,000,000 at a consideration of RMB2,020,000. On 15th November, 2005, the then shareholders of Tianye Recycling approved the increase in the registered capital of Tianye Recycling and the abovementioned capital increase agreement. Pursuant to the capital verification report issued by Xinjiang Xin Xin Hua Tong Certified Public Accountant Company Limited (新疆新新華通有限責任會計師事務所) dated 16th November, 2005, as at 15th November, 2005, the said increased amount of the registered capital of Tianye Recycling was fully paid up by the Company. On 18th November, 2005, Tianye Recycling obtained the new business licence from the relevant authority of the PRC. As at the Latest Practicable Date, the registered capital of Tianye Recycling is RMB2,500,000 which is owned as to 98% by the Company and 2% by Alashankou Tianye.

(c) *Zhaoqing Tianye*

Zhaoqing Tianye was established under the laws of the PRC with limited liability on 5th September, 2006 with an operating period of ten years. The registered capital of Zhaoqing Tianye was RMB3,000,000 which is owned as to 80% by the Company and 20% by Zhaoqing Tifo New Fibre Co., Ltd.. Pursuant to a verification report dated 1st September, 2006, the registered capital has been fully paid up as to RMB2,400,000 by the Company and RMB600,000 by Zhaoqing Tifo New Fibre Co., Ltd., respectively in August 2006.

(d) *Kuitun Tiantun*

Kuitun Tiantun was established under the laws of the PRC with limited liability on 4th September, 2006 with an operating period of ten years. The registered capital of Kuitun Tiantun was RMB12,000,000 which is owned as to 80% by the Company and 20% by State-owned Assets Operation and Administration Company Limited of No. 7 Division ("SAOA of No. 7 Division"). Pursuant to a verification report dated 31st August, 2006, the registered capital has been fully paid up as to RMB9,600,000 by the Company and RMB2,400,000 by SAOA of No. 7 Division, respectively in August 2006.

(e) *Hami Huimin*

Hami Huimin was established under the laws of the PRC with limited liability on 20th March, 2007 with an operating period of ten years. The registered capital of Hami Huimin was RMB100,000 and wholly owned by Hami Tianye. On 19th June, 2007, Hami Tianye increased the amount of the registered capital of Hami Huimin to RMB500,000. Pursuant to the capital verification report issued by Hami branch of Xinjiang Ruixun Limited Liability Certified Public Accountants (新疆瑞新有限責任會計師事務所哈密分所) dated 19th June, 2007, the said increased amount of the registered capital of Hami Huimin was fully paid up by Hami Tianye. On 20th June, 2007, Hami Huimin obtained the new business license from the relevant authority of the PRC. As at the Latest Practicable Date, the registered capital of Hami Huimin is RMB500,000 which was wholly owned by Hami Tianye.

Save as disclosed in this Appendix, there has been no alteration in the share capitals of any of the subsidiaries of the Company within the two years immediately preceding the date of this document.

**4. Subsidiaries of the Company in the PRC**

The Company has the following subsidiaries established in the PRC, the basic information of which as at the Latest Practicable Date are set out below:

(a) *Gansu Tianye*

- |                          |   |   |
|--------------------------|---|---|
| (i) Corporate nature     | : | limited liability company   |
| (ii) Shareholders        | : | (a) the Company as to 90% of registered capital   |
|                          |   | (b) Zhongfa Chemical as to 9.5% of registered capital   |
|                          |   | (c) Gao Jin Ming (高進明) as to 0.18% of registered capital  |
|                          |   | (d) Wang Hong Tao (王洪濤) as to 0.18% of registered capital   |
|                          |   | (e) Chen Wei Zhong (陳衛忠) as to 0.14% of registered capital  |
| (iii) Registered capital | : | RMB11,050,000   |
| (iv) Term of operation   | : | 10 years, from 4th April, 2002 to 3rd April, 2012   |
| (v) Scope of business    | : | the production and sales of water saving plastic products; the development and promotion of water saving irrigation technologies; the production of new water saving equipment; the sales of the raw materials for light and chemical industries (other than those restricted by the State) |

(b) *Tianye Installation*

- |                          |   |   |
|--------------------------|---|---|
| (i) Corporate nature     | : | limited liability company                               |
| (ii) Shareholders        | : | (a) the Company as to 95% of registered capital         |
|                          |   | (b) Taian Construction as to 4.5% of registered capital |
|                          |   | (c) Xia Jian Guo (夏建國) as to 0.5% of registered capital |
| (iii) Registered capital | : | RMB10,000,000   |

- (iv) Term of operation : 10 years, from 22nd December, 2003 to 21st December, 2013
- (v) Scope of business : the installation, provision of services and consultation services regarding agricultural water saving irrigation equipment

(c) *Tianye Recycling*

- (i) Corporate nature : limited liability company
- (ii) Shareholders : (a) the Company as to 98% of registered capital  
(b) Alashankou Tianye as to 2% of registered capital
- (iii) Registered capital : RMB2,500,000
- (iv) Term of operation : 15 years, from 25th September, 2002 to 23th September, 2017
- (v) Scope of business : the recycle, simple processing and sales of old plastic materials and glass (other than those restricted in particular industries)

(d) *Alaer Tiannong*

- (i) Corporate nature : limited liability company
- (ii) Shareholders : (a) the Company as to 51% of registered capital  
(b) Talimu Agriculture as to 49% of registered capital
- (iii) Registered capital : RMB10,000,000
- (iv) Term of operation : 10 years, from 6th August, 2002 to 5th August, 2012
- (v) Scope of business : the production, sales and technological services of drip water saving irrigation equipment, PVC tubes, PPR tubes, anti-penetration films, plastic products, adjuvant of chemical raw materials

(e) *Hami Tianye*

- (i) Corporate nature : limited liability company
- (ii) Shareholders : (a) the Company as to 60% of registered capital  
(b) SAOA of No. 13 Division as to 40% of registered capital
- (iii) Registered capital : RMB19,000,000
- (iv) Term of operation : 15 years, from 15th October, 2003 to 14th October, 2018
- (v) Scope of business : the production, sales and technological services of drip water saving irrigation equipment, plastic products, agricultural films, agricultural drip films and packing boxes; machinery processing; the recycling, reprocessing and sales of old plastic materials; the implementation of water saving projects (other than those restricted or requiring special approval by the State)

(f) *Zhaoqing Tianye*

- (i) Corporate nature : limited liability company
- (ii) Shareholders : (a) the Company as to 80% of the registered capital  
(b) Zhaoqing Tifo New Fibre Co., Ltd., as to 20% of registered capital
- (iii) Registered Capital : RMB3,000,000
- (iv) Term of operation : 10 years from 5th September, 2006 to 4th September, 2016
- (v) Scope of business : recycling of used materials

(g) *Kuitun Tiantun*

- (i) Corporate nature : limited liability company
- (ii) Shareholders : (a) the Company as to 80% of the registered capital  
(b) SAOA of No. 7 Division as to 20% of registered capital
- (iii) Registered Capital : RMB12,000,000
- (iv) Term of operation : 10 years from 4th September, 2006 to 3rd September, 2016
- (v) Scope of business : manufacture and sale of irrigation system and equipment

(h) *Hami Huimin*

- (i) Corporate nature : limited liability company
- (ii) Shareholders : Hami Tianye as to 100% of the registered capital
- (iii) Registered Capital : RMB500,000
- (iv) Term of operation : 10 years from 20th March, 2007 to 19th March, 2017
- (v) Scope of business : recycling of used materials

**5. Registration under Part XI of the Companies Ordinance**

The Company has established a principal place of business in Hong Kong for the purpose of registration under Part XI of the Companies Ordinance at 21st Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong. The address for service of process and notices of the Company is 21st Floor, New World Tower 1, 18 Queen's Road Central, Hong Kong. The Company has been registered as an oversea company under Part XI of the Companies Ordinance on 26th August, 2005. The application contains a notice of appointment of Wong Hon Kei Anthony, being the company secretary of the Company, as agent of the Company for the acceptance of service of process in Hong Kong.



## 6. Summary of material contracts


The following contracts (not being contracts in the ordinary course of business) have been entered into by the Group within the two years preceding the date of this document and are or may be material:

- (a) a capital increase agreement in Chinese dated 1st November, 2005 entered into between Tianye Recycling, the Company and Alashankou Tianye, whereby the Company agreed to subscribe the increased amount of the registered capital of Tianye Recycling of RMB2,000,000 at a consideration of RMB2,020,000;
- (b) a joint venture agreement in Chinese dated 4th June, 2006 entered into between the Company and Zhaoqing Tifo New Fibre Co., Ltd., by which the parties agreed to establish Zhaoqing Tianye. The registered capital of Zhaoqing Tianye was RMB3,000,000, which is owned as to 80% by the Company and 20% by Zhaoqing Tifo New Fibre Co., Ltd.;
- (c) a joint venture agreement in Chinese dated 8th August, 2006 entered into between the Company and SAOA of No. 7 Division by which the parties agreed to establish Kuitun Tiantun. The registered capital of Kuitun Tiantun was RMB12,000,000, which is owned as to 80% by the Company and 20% by SAOA of No. 7 Division;
- (d) a capital increase agreement in Chinese dated 15th August, 2006 entered into between Hami Tianye, the Company and SAOA of No. 13 Division, whereby the Company agreed to subscribe the increased amount of the registered capital of Hami Tianye to RMB19,000,000, which was owned as to 60% by the Company and 40% by SAOA of No. 13 Division;
- (e) a deed of non-competition undertaking dated 7th February, 2006 entered into between Lai Tai Lai and the Company, by which Li Tai Lai has given certain non-competition undertakings to the Company;
- (f) a deed of non-competition undertaking dated 7th February, 2006 entered into between Yang Ming Gui and the Company, by which Yang Ming Gui has given certain non-competition undertakings to the Company;
- (g) a deed of indemnity (the “Deed of Indemnity”) dated 20th February, 2006 and executed by Tianye Company and Li Tai Lai in favour of the Company, whereby Tianye Company and Li Tai Lai have agreed to indemnify the Company against general and tax liabilities, particulars of which are set out in paragraph 13 of Appendix VI of this document;
- (h) a conditional underwriting and placing agreement dated 20th February, 2006 entered into between, among others, the Company, the executive Directors, Sun Hung Kai, and the underwriters named therein relating to the offer of the H Shares referred to in the Prospectus;
- (i) a deed of non-competition undertaking dated 18th August, 2007 entered into between Tianye Holdings and the Company, by which Tianye Holdings has given certain non-competition undertakings to the Company; and
- (j) a deed of non-competition undertaking dated 18th August, 2007 entered into between Tianye Company and the Company, by which Tianye Company has given certain non-competition undertakings to the Company.

## 7. Intellectual property rights

## (a) Trademark

As at the Latest Practicable Date, the Group had been granted the licence of using the following trademark registered in the PRC in respect of the goods or services specified below:

Trademark	Class	Registration number	Term	Goods covered
 (Note 1)	17	1520839	From 1st June, 2006 to 13th February, 2011	rubber band, sealant, agricultural plastic film, plastic pipeline, tube, board and stick, nonmetallic soft pipeline, insulating material, nonmetallic horseshoe, thermal insulating material and waterproof packaging product

*Note 1* : Pursuant to the Trademark Licence Agreement in Chinese dated 1st June, 2003 made between the Company and Tianye Company, Tianye Company granted to the Company the right to use the “” trademark for the period commencing from 1st June, 2003 to 1st June, 2006 at nil consideration. On 25th May, 2006, Tianye Company renewed the Trademark Licence Agreement for a period from 1st June, 2006 to 13th February, 2011 at nil consideration. For details of the undertaking provided by Tianye Company, please refer to the paragraphs headed “Intellectual property rights” and “Connected transactions” under the section headed “Business” of this document.

## (b) Patents

(i) As at the Latest Practicable Date, the Group is the registered proprietor and beneficial owner of the following patents:

Title of patents	Place of registration	Duration of validity	Registration number	Usage
Filters for water irrigation through channel (渠系水灌溉用過濾器)	PRC	10 years from 17th May, 2000	ZL00235098.X	The model aims to provide a filter which is able to filtrate the floating objects (such as weeds and leaves) and others (such as sand and mud) from the water in the channels. The model is featured by its simple structure, easy manufacture process, low cost and convenient for promotion. It is particularly suitable for regions with plenty of natural water resources, such as rivers, ice water, rainfall, etc.

Title of patents	Place of registration	Duration of validity	Registration number	Usage
Fittings for drip pipelines (滴灌管路連接件)	PRC	10 years from 13th February, 1999	ZL99203491.4	The model aims to provide a drip piping connectors with firm connection and strong sealing ability. It is featured by various functions of firm connection, strong sealing, simple structure, easy operations and low cost.
Fittings for agricultural irrigation pipelines (農業灌溉管路連接件)	PRC	10 years from 7th April, 2000	ZL00207732.9	The new model aims to solve the problems of loosely connection, poor sealing, undurable piping and limited application area of the drip piping connectors.
Straight inserting locking sealing fittings for micro irrigation pipelines (微灌管路直插式鎖緊密封連接件)	PRC	10 years from 24th July, 2002	ZL02242859.3	The model aims to solve any problems of loosely connection and poor sealing on drip piping connectors. It is featured by simple structures, easy installation and easy operations.
Pressure compensating water saving irrigation facilities with clogging resistance (抗堵塞壓力補償式節水灌溉裝置)	PRC	10 years from 6th August, 2002	ZL02247909.0	The model aims to provide a pressure compensating water saving irrigation equipment with clogging resistance, which is featured by strong clogging resistance, stable flow, simple structures, easy installation, easy operations and is applicable to the land with large surface area.
Auxiliary drip pipeline facilities (滴灌輔管裝置)	PRC	10 years from 6th April, 2004	200498269	The model aims to eliminate the usage of materials for water irrigation system.
Inserting fittings for steady-flow micro irrigation pipelines (微灌穩流管接件)	PRC	10 years from 17th January, 2004	20042000221368	The fittings aims to connect drip films in a easy and convenient way.

<b>Title of patents</b>	<b>Place of registration</b>	<b>Duration of validity</b>	<b>Registration number</b>	<b>Usage</b>
Labyrinth-style drip for micro irrigation pipelines (迷宮式微灌滴頭)	PRC	10 years from 8th April, 2004	2004200501242	The model aims to self-regulate the pressure of water saving irrigation equipment for attaining even water irrigation.
Vertical anti-flush minerals filter (臥式反沖洗礦石過濾器)	PRC	10 years from 28th December, 2004	200420013517.6	The model aims to control the quality of water sources and to keep water cleanliness.
Straight inserting fittings for micro irrigation pipelines (微灌管路直插式連接件)	PRC	10 years from 20th March, 2003	03207465.X	The fittings aim to connect drip films in a easy and convenient way.
Enforced feeding facilities of plastic materials reprocessing machines (塑料回收機的強制加料裝置)	PRC	10 years from 15th January, 2005	200420002735.X	The model aims to increase efficiency of materials reprocessing.

- (ii) As at the Latest Practicable Date, the applications of the following patents were submitted to the State Intellectual Property Office (中國國家知識產權局) and the Group obtained the rights of the applications and became the applicant of the following patents:

<b>Title of patents</b>	<b>Place of application</b>	<b>Date of application</b>	<b>Application number</b>
Water saving micro irrigation system with self pressuring (自壓式節水灌溉系統)	PRC	13th August, 2002	02128363.X
Improved soft pipeline with the use of nano-materials (納米材料改性輸軟管)	PRC	28th May, 2003	031366937
Improved drip belt with the use of nano-materials (納米材料改性滴灌帶)	PRC	26th November, 2002	021546169
Pressure compensatory style drip and its components (一種壓力補償式滴頭及其構成)	PRC	30th June, 2005	2005201117589



(c) *Domain Name*

As at the Latest Practicable Date, the Group has registered the following domain name(s):

<b>Domain Name</b>	<b>Registration Date</b>
www.tianyejieshui.com.cn	20th October, 2006

The content of the above website do not form part of this document.

(d) *Logo*

On 3rd February, 2006, Tianye Company gave a consent letter to the Company pursuant to which Tianye Company agrees and allows the Company to use the “” logo on its document, promotional materials and for all promotion and marketing purposes. The PRC legal advisers of the Company confirmed that the use of the “” logo on this document by the Company is in compliance with the relevant laws and regulations in the PRC.

**FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, MANAGEMENT AND STAFF****8. Directors' and Supervisors' interests***Particulars of service agreements*

Each of the Directors and the Supervisors has entered into a service agreement with the Company on 18th August, 2007. Particulars of these agreements, which are in all material respects identical, are set out below:

- (a) each service agreement is for a term of three years commencing from the date of listing of the H Shares of the Company on the Main Board;
- (b) save as Guo Qing Ren, each of the Directors and the Supervisors is entitled to the respective annual salary set out below (subject to an annual review);
- (c) each of the executive Directors is also entitled to an annual discretionary bonus after working for 12 months, provided that the aggregate amount of bonus payable to all the executive Directors for any financial year of the Company may not exceed 5 per cent. of the audited consolidated profits attributable to shareholders of the Company (after deducting tax and profit attributable to minority) in respect of that financial year of the Company. An executive Director may not vote on any resolution of the Directors regarding the amount of the bonus payable to him;
- (d) the executive Directors and the Supervisors shall be entitled to welfare benefits in accordance with the relevant PRC laws and regulations; and

- (e) the basic annual salaries of the executive Directors and the Supervisors are as follows:

<b>Executive Directors</b>	<b>Amount (RMB)</b>
Guo Qing Ren	Nil
Shi Xiang Shen	80,000 per annum
Zhu Jia Ji	70,000 per annum
Li Shuang Quan	100,000 per annum
<b>Supervisors</b>	<b>Amount (RMB)</b>
Huang Jun Lin	30,000 per annum
He Jie	30,000 per annum
Ni Mei Lan	70,000 per annum

*Fees payable to the independent non-executive Directors*

It is the Company's policy that each of the independent non-executive Directors except for Mak King Sau, will be paid a Director's fee of RMB30,000 (equivalent to about HK\$30,000) per annum. Mak King Sau will be entitled to a Director's fee of HK\$60,000 per annum.

*Remuneration of the Directors and the Supervisors*

- (a) During the year ended 31st December, 2006, the aggregate emoluments paid by the Group to:
- (i) the Directors amounted to approximately RMB419,000 (equivalent to approximately HK\$419,000); and
  - (ii) the Supervisors amounted to approximately RMB131,000 (equivalent to approximately HK\$131,000).

Details of the remuneration of the Directors and the Supervisors are set out in note 10 of the accountants' report set out in Appendix I to this document.

- (b) Under the arrangements currently in force, the aggregate emoluments payable for the year ending 31st December, 2007 by the Group to:
- (i) the Directors are estimated to be approximately RMB389,400 (equivalent to approximately HK\$389,400); and
  - (ii) the Supervisors are estimated to be approximately RMB145,400 (equivalent to approximately HK\$145,400).

- (c) No emoluments were paid by the Company to the Directors or to the Supervisors as an inducement to join or upon joining the Company or as compensation for loss of office. None of the Directors or the Supervisors have waived or agreed to waive any emoluments for each of the three years ended 31st December, 2006 and the six months ended 30th June, 2007.
- (d) Save for Directors' fees referred to above, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.
- (e) The aggregate emoluments payable to the Directors and Supervisors for the financial year ending 31st December, 2007 are lower than the aggregate emoluments paid by the Group to the Directors and Supervisors for the financial year ended 31st December, 2006 is mainly attributable to the one off reward payment to staff, including the Directors and the Supervisors, by the end of 2006. As at the Latest Practicable Date, the annual bonus for the year of 2007 is not yet determined. The annual bonus is determined in accordance with the performance, including the financial performance, of the Group and individual staff performance in 2007.

***Interests and/or short positions of Directors and Supervisors in the shares, underlying shares or debentures of the Company and its associated corporations***

As at the Latest Practicable Date, the interests and/or short positions of the Directors, the Supervisors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or pursuant to Model Code for Securities Transaction by Directors of Listed Issuers set out in the Listing Rules, to be notified to the Company and the Stock Exchange, in each case, once the H Shares are listed on the Stock Exchange, will be as follows:

<b>Name of Directors/ Supervisors</b>	<b>Company/name of associated corporation</b>	<b>Capacity</b>	<b>Number and class of Securities</b> <i>(Note 1)</i>	<b>Approximate percentage of shareholding</b>
Guo Qing Ren <i>(Director)</i>	Tianye Company	Beneficial owner	46,080 domestic shares (L)	0.0105%
Shi Xiang Shen <i>(Director)</i>	Tianye Company	Beneficial owner	34,864 domestic shares (L)	0.0079%
Huang Jun Lin <i>(Supervisor)</i>	Tianye Company	Beneficial owner	53,248 domestic shares (L)	0.0121%

*Note:*

- The letter "L" denotes the Director's and Supervisor's long positions in such securities.

### 9. Interests discloseable under the SFO and Substantial Shareholders

So far as is known to the Directors, the Supervisors and the chief executives of the Company, the following persons/entities (other than the Directors, the Supervisors and the chief executives of the Company) will have interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name	Name of the members of the Group	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding (Note 2)
Tianye Company	Company	Beneficial owner	202,164,995 Domestic Shares (L)	38.91%
Tianye Holdings (Note 3)	Company	Interest in controlled corporation	202,164,995 Domestic Shares (L)	38.91%
Li Tai Lai	Company	Beneficial owner	93,994,831 Domestic Shares (L)	18.09%
Yang Ming Gui (Note 4)	Company	Interest in controlled corporation	93,994,831 Domestic Shares (L)	18.09%
Talimu Agriculture (Note 5)	Alaer Tiannong	Beneficial owner	—	49%
SAOA of No. 13 Division	Hami Tianye	Beneficial owner	—	40%
Zhaoqing Tifo New Fibre Co. Ltd	Zhaoqing Tianye	Beneficial owner	—	20%
SAOA of No.7 Division	Kuitun Tiantu	Beneficial owner	—	20%

*Notes:*

- The letter "L" denotes the person's/entity's long positions in the shares of the members of the Group.
- In relation to the Company, the approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 Shares (including Domestic Shares and H Shares).
- Tianye Holdings is interested in approximately 43.27% of the registered capital of Tianye Company. Tianye Holdings is deemed to be interested in the same 202,164,995 Domestic Shares held by Tianye Company under the SFO.
- Yang Ming Gui (楊明貴) is interested in 58% of the registered capital of Li Tai Lai. He is deemed to be interested in the same 93,994,831 Domestic Shares held by Li Tai Lai under the SFO.
- Talimu Agriculture is owned as to approximately 50.79% by Xinjiang Alesiu Agricultural Industrial and Commerce Union Chief Company (新疆阿克蘇農墾農工商聯合總公司), a state-owned enterprise under the supervision of No. 1 Division of Agricultural Construction of XPCR. The A shares of Talimu Agriculture have been listed on the Shanghai Stock Exchange since 29th April, 1999.



**10. Related party transactions**

During the two years preceding the date of this document, the Group had engaged in dealings with the related parties as described in:

- (a) note 34 under the paragraph headed “Notes to the Financial Information” of the accountants’ report set out in Appendix I to this document; and
- (b) paragraph 8 of this Appendix.

**11. Disclaimers**

Save as disclosed in this document:

- (a) the Directors, the Supervisors and the chief executives of the Company are not aware of any person who have an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meetings of any other members of the Group;
- (b) none of the Directors and the Supervisors has, for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken or deemed to have under such provision of the SFO, any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transaction by Directors of Listed Issues as set out in the Listing Rules once the H Shares are listed on the Main Board;
- (c) there are no existing or proposed service contracts (excluding contracts expiring or terminable by the Company within one year without payment of compensation (other than statutory compensation)) between the Company and any of the Directors or Supervisors;
- (d) none of the Directors or Supervisors or experts referred to in the paragraph headed “Consents of experts” of this Appendix is interested in the promotion of the Company, or has any direct or indirect interests in any assets which have been within the two years immediately preceding the date of this document acquired or disposed of by or leased to the Company, or are proposed to be so acquired, disposed of or leased, nor will any Director or Supervisor apply for any of the H Shares either in his own name or in the name of a nominee;
- (e) none of the Directors or Supervisors or experts referred to in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Company taken as a whole;

- (f) none of the Directors or Supervisors or experts referred to in the paragraph headed “Consents of experts” of this Appendix has any shareholding in the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, nor will any Director or Supervisor apply for any of the H Shares either in his own name or in the name of a nominee; and
- (g) none of the Directors or Supervisors or their respective associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the registered capital of the Company) has any interest in any of the five largest suppliers or customers of the Company for the three years ended 31st December, 2006 and the six months ended 30th June, 2007.

## OTHER INFORMATION

### 12. Estate duty, tax and other indemnities

Under the Deed of Indemnity, Tianye Company and Li Tai Lai (collectively, the “Indemnifiers”) have jointly and severally given indemnities in favour of the Group that they will indemnify and keep the members of the Group indemnified against any estate duty which is or becomes payable by any member of the Group in certain circumstances. The Indemnifiers will also indemnify and keep indemnified the Group against any liabilities of any member of the Group to any form of taxation resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring up to the date on which the Deed of Indemnity becomes unconditional. The Deed of Indemnity was entered into by the Group on 20th February, 2006 (the “Effective Date”). The indemnities given under the Deed of Indemnity also cover the amount of any and all insurance payment more particularly described in the Deed of Indemnity and other statutory payment in consequence of the changes in the share capital and shareholding structure of the Company falling on any member of the Group resulting from or by reference to any events, matters or things occurring up to the Effective Date, save in the following circumstances:

- (a) to the extent that provision, reserve or allowance has been made for such taxation, payment or liability in the audited combined accounts of the Company for the period up to 31st December, 2006 (the “Accounts”);
- (b) for which any member of the Group is primarily liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Effective Date;
- (c) to the extent that such taxation, payment or liability would not have arisen but for any act or omission of, or transaction entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business on or before the Effective Date;
- (d) to the extent that such taxation, payment or liability is discharged by another person who is not a member of the Group and that such member of the Group is not required to reimburse such person in respect of the discharge of the taxation, payment or liability;

- (e) to the extent that such claim or taxation, payment or liability arises or is incurred as a consequence of any retrospective change in the laws, regulations, the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or the tax authorities of the PRC or any other relevant authority in the PRC or any part of the world coming into force after the Effective Date or to the extent such claim arises or is increased by an increase in rates of taxation or payment after the date of the Deed of Indemnity with retrospective effect;
- (f) to the extent of any provision or reserve made for taxation or payment in the Accounts which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the limitation clause in the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation or payment shall not be available in respect of any such liability arising thereafter; and
- (g) relating to Hong Kong profits tax falling on the Company in respect of its accounting periods commencing on or after the Effective Date unless liability for such Hong Kong profits tax would not have arisen but for some act or omission of, or transaction entered into by the Promoters or the Company (whether alone or in conjunction with some other act, omission or transaction whenever occurring) otherwise than in the course of normal day to day operations on or before the Effective Date.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company under the relevant PRC laws.

### **13. Litigation**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

### **14. Sponsors**

Each of Sun Hung Kai and KGI Capital has declared pursuant to Rule 3A.08 of the Listing Rules that it is independent pursuant to Rule 3A.07 of the Listing Rules.

### **15. Expenses**

The preliminary expenses of the Company are approximately RMB48,808 (equivalent to approximately HK\$48,808) and are payable by the Company.

The expenses of the Company in relation to the Introduction are estimated to be approximately RMB8,970,000 (approximately HK\$8,970,000) (not including the reimbursement and miscellaneous expenses) and are payable by the Company.

## 16. Promoters

The Promoters are set out in paragraph 1(e) of this Appendix. Brief particulars of each of the corporate Promoters are as follows:

Name of Promoters	Place and date of establishment	Amount of registered and paid up capital	Name of directors	Name of bankers	Name of auditors
Tianye Company	9th June, 1997 the PRC	RMB226,800,000	Guo Qing Ren (being the chairman of Tianye Company until 30th June, 2007 and a director of Tianye Company), Yu Tian Chi, Hou Guo Jun, Yi Li Wei, Lin Tie Nian, Zhang Sen, Zhu Jia Ji (being a director of Tianye Company since 30th June, 2007), Song Xiao Ling and Wang Zhi Qiang	Industrial Park office, Agricultural Bank of China (農業銀行工業園分理處)	Shenzhen Dahua Tiancheng Certified Public Accountants (深圳大華天誠會計師事務所)
Li Tai Lai	11th May, 1998 the PRC	RMB30,000,000	Yang Ming Gui, Hu Hai and Li Nan	Shennan office, Shenzhen branch, Guangdong Development Bank (廣東發展銀行深圳分行深南辦事處)	Shenzhen Guotai Certified Public Accountants (深圳國泰會計師事務所)
Machinery Science	29th April, 2000 the PRC	RMB180,100,000	N/A	Baiwanzhuang subbranch, Industrial and Commercial Bank of China (工商銀行百萬庄支行)	ShineWing Certified Public Accountants (信永中和會計師事務所有限責任公司)
Northwest Sci-Tech	1934 the PRC	RMB460,590,000	N/A	Yangling sub-branch, Shaanxi Branch, Bank of China (中國銀行陝西分行楊凌支行)	currently not appointed

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the Promoters in connection with Introduction or the related transactions described in this document.

**17. Qualifications of experts**

The qualifications of the experts who have given opinions in this document are as follows:

<b>Name</b>	<b>Qualification</b>
Sun Hung Kai	a licensed corporation under the SFO for regulated activities of type 1 (dealing in securities) and type 6 (advising on corporate finance)
KGI Capital	a licensed corporation under the SFO for regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance)
Rayyin & Partners	Licensed legal advisers on PRC laws
SHINEWING (HK) CPA Limited	Certified public accountants
Castores Magi (Hong Kong) Limited ("Castores Magi")	Professional surveyors

**18. Consents of experts**

Each of Sun Hung Kai, KGI Capital, Rayyin & Partners, SHINEWING (HK) CPA Limited and Castores Magi has given and has not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, valuation, opinions or summaries of opinions (as the case may be) and the references to their names in the form and context in which they respectively appeared.

**19. Miscellaneous**

(a) Save as disclosed in this document:

(i) within the two years preceding the date of this document:

(aa) no share or loan capital of the Company has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company;

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe or procuring subscription or agreeing to procure subscription of any Shares;

(ii) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) the Company has not applied and does not intend to apply for the status of a sino-foreign investment joint stock limited company, and the Company is not and does not expect to be subject to the PRC Sino-Foreign Joint Venture Law;

- (b) the Directors confirm that there has been no material adverse change in the financial position or prospects of the Group since 30th June, 2007 (being the date to which the latest audited financial statements of the Group were made up);
- (c) all necessary arrangements have been made to enable the H Shares to be admitted into CCASS; and
- (d) none of the Joint Sponsors, Rayyin & Partners, SHINEWING (HK) CPA Limited and Castores Magi:
  - (i) is interested beneficially or non-beneficially in any shares in any members of the Group; or
  - (ii) has any rights (whether legally enforceable or not) to subscribe for any shares in any members of the Group, within the two years preceding the date of this document.