



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)

THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30TH SEPTEMBER 2007

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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The Stock Exchange takes no responsibility for the contents of this report, 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 report.

This report, for which the directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the requirement of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“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 report 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 report misleading; and (3) all opinions expressed in this report 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

SUMMARY

- For the three months ended 30th September 2007, the Group recorded an unaudited profit attributable to equity holders of the Company of approximately RMB205,000, representing an decrease of approximately RMB2,852,000 or 93.29% as compared to the corresponding period in 2006 of approximately RMB3,057,000;
- For the nine months ended 30th September 2007, the Group recorded an unaudited profit attributable to equity holders of the Company of approximately RMB31,709,000, representing an increase of approximately RMB2,524,000 or 8.65% as compared to the corresponding period in 2006 of approximately RMB29,185,000;
- The Board does not recommend the payment of dividend for the nine months ended 30th September 2007;
- For the three months and nine months ended 30th September 2007, the basic earnings per share were approximately RMB0.0004 and RMB0.0610 respectively.

The board (the “Board”) of Directors is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30th September 2007, together with the comparative figures of the unaudited consolidated results for the corresponding period in 2006 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the three months ended		For the nine months ended	
		30th September 2007	2006	30th September 2007	2006
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Turnover	3	97,402	66,071	394,607	323,787
Cost of sales		(83,914)	(53,709)	(327,551)	(261,973)
Gross profit		13,488	12,362	67,056	61,814
Other operating income		360	444	2,600	1,050
Distribution costs		(5,255)	(5,698)	(15,801)	(17,047)
Administrative expenses		(6,774)	(2,513)	(16,439)	(7,960)
Other operating expenses		(376)	(615)	(949)	(644)
Profit from operations		1,443	3,980	36,467	37,213
Finance costs	4	(999)	(1,082)	(3,687)	(3,133)
Profit before taxation		444	2,898	32,780	34,080
Taxation	5	(201)	(157)	(384)	(4,946)
Profit for the period		243	2,741	32,396	29,134
Attributable to:		205	3,057	31,709	29,185
Equity holders of the Company		38	(316)	687	(51)
Minority interests		243	2,741	32,396	29,134
Dividends	6	—	—	—	—
Earning per share — Basic	7	RMB0.0004	RMB0.0059	RMB0.0610	RMB0.0615

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL RESULTS

For the nine months ended 30th September 2007

1. BASIS OF PREPARATION

The Company was established as a limited liability company in the People's Republic of China (the "PRC") in 1999. Pursuant to an approval granted by the relevant PRC authorities on 18th December 2003, the Company restructured its capital and was converted into a joint stock limited liabilities company. On 28th February 2006, the Company's H Shares are listed on the GEM.

The Company's immediate holding company is 新疆天業股份有限公司 Xinjiang Tianye Company Limited ("Tianye Company"), a limited company established in the PRC with its shares listed on the Shanghai Securities Exchange. 新疆天業(集團)有限公司 Xinjiang Tianye (Group) Limited ("Tianye Group"), a private limited company established in the PRC, is the Company's ultimate holding company.

The Group is mainly engaged in the development, manufacturing, installation and sales of irrigation systems and equipment.

The unaudited consolidated financial results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. The unaudited consolidated results have been prepared on the historical cost basis except for financial instruments, which are initially measured at fair values.

The unaudited consolidated financial results are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

2. ACCOUNTING POLICIES

The accounting policies adopted in preparing the unaudited consolidated financial results were in consistent with those applied for the annual financial report of the Group for the year ended 31st December 2006.

3. TURNOVER

Turnover is measured at the fair value of the consideration received and receivable for goods sold to external customers, net of value-added tax, returns and discounts, and the consideration received and receivable for the services provided during the period, and is analysed as follows:

	For the three months ended		For the nine months ended	
	30th September		30th September	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Drip films and drip assemblies	77,498	15,679	279,939	196,427
PVC/PE pipelines	19,871	49,674	112,671	126,603
Provision of installation services	33	718	1,997	757
	<u>97,402</u>	<u>66,071</u>	<u>394,607</u>	<u>323,787</u>

Note: According to the sales mix of the Group, drip assemblies are usually sold as auxiliary products of drip films. Therefore, drip films and drip assemblies are classified under the same category.

4. FINANCE COST

The amounts represent interest paid by the Group on bank and other borrowings wholly repayable within one year.

5. INCOME TAX EXPENSES

The amounts represent provision for the PRC Enterprise Income Tax (“EIT”) on the estimated assessable profit of the Group for the three months and nine months ended 30th September 2007.

According to the PRC law, the Company and its subsidiaries are subject to 33% EIT.

Pursuant to Section 8 of the “Income Tax Law of the People’s Republic of China Concerning Foreign Investment Enterprises” (《中華人民共和國外商投資企業所得稅法》), the “Notice regarding Certain Implement Issues of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises” (《關於外商投資企業和外國企業所得稅法若干執行問題的通知》) and “Approval Notice of Exemption from EIT regarding Xinjiang Tianye Water Saving Irrigation System Company Limited” Kai Guo Shui Ban [2006] No. 72 (開國稅辦[2006] 72號《關於新疆天業節水灌溉股份有限公司減免企業所得稅的通知》), issued by the State Administration of Taxation of Shihezi Economic and Technological Development Zone, Shihezi, (石河子經濟技術開發區國家稅務局), the Company is exempted for EIT from 2007 to 2008 and shall be exempted for half of its EIT from 2009 to 2011.

Pursuant to “Notice of Problem on Certain Incentives Policy on the Development of Western China” Cai Shui Zi [2001] No. 202 (《關於西部大開發稅收優惠政策問題的通知》(財稅字 [2001] 202號)), issued by the Ministry of Finance (財政部), the State Administration of Taxation (國家稅務總局) and the General Administration of the Customs (海關總署), for an entity operated in the western part of the PRC which is primarily engaged in the businesses prescribed in “Catalogue of Industries, Products and Techniques Heavily Encouraged by the State (amended in 2000)” (《當前國家重點鼓勵發展的產業、產品的技術目錄 (2000年修訂)》) and that such business contributes to over 70% of its operating income, such entity is entitled to specific tax relief. Our subsidiaries, 哈密天業紅星節水灌溉有限責任公司 (“哈密天業”) and 甘肅天業節水器材有限公司 (“甘肅天業”), complied with such requirements. 哈密天業 was granted a reduced tax rate of 15% for the period from 1st January 2004 to 31st December 2007. 甘肅天業 was granted a reduced tax rate of 15% for the period from January to April 2007.

Pursuant to the “Provisional Regulations for Investments in PRC by Enterprises with Foreign Investment”(《關於外商投資企業境內投資的暫行規定》), “Approval Notice for the Transaction of Taxation Issue related to Enterprise Income Tax from State Tax Bureau of Ganzhou District” (Gan Qu Kuo Shui Pi Zi [2007] No.001 (《甘州區國稅局企業所得稅務處理事項批覆通知書》) (甘區國稅批字 [2007] 001號), 甘肅天業 is exempted from EIT during the period from April 2007 to December 2007.

6. DIVIDENDS

The Board does not recommend the payment of interim dividend for the nine months ended 30th September 2007 (corresponding period in 2006: nil).

7. BASIC EARNING PER SHARE

The calculations of basic earnings per share for the three months ended 30th September 2007 are based on the Group’s profit attributable to the equity holders of the Company of approximately RMB205,000 (corresponding period in 2006: RMB3,057,000) and on the weighted average number of 519,521,560 (corresponding period in 2006: 519,521,560) ordinary shares in issue during the period.

The calculations of basic earnings per share for the nine months ended 30th September 2007 are based on the Group's profit attributable to the equity holders of the Company of approximately RMB31,709,000 (corresponding period in 2006: RMB29,185,000) and on the weighted average number of 519,521,560 (corresponding period in 2006: 474,199,948) ordinary shares in issue during the period.

8. RESERVES

	Share premium <i>RMB'000</i> <i>(unaudited)</i>	Statutory reserve fund <i>RMB'000</i> <i>(unaudited)</i>	Statutory welfare fund <i>RMB'000</i> <i>(unaudited)</i>	Accumulated profit <i>RMB'000</i> <i>(unaudited)</i>	Total <i>RMB'000</i> <i>(unaudited)</i>
At 1st January 2006	—	5,503	2,752	53,631	61,886
Profit for the period and total recognised income for the period	—	—	—	29,185	29,185
Issue of H shares through placing	10,000	—	—	—	10,000
Dividends declared to equity holders of the Company	—	—	—	(34,860)	(34,860)
Transfer	—	5,178	2,589	(7,767)	—
	<u>10,000</u>	<u>10,681</u>	<u>5,341</u>	<u>40,189</u>	<u>66,211</u>
At 30th September 2006					
At 1st January 2007	10,296	14,695	—	74,828	99,819
Profit for the period and total recognised income for the period	—	—	—	31,709	31,709
Dividends declared to equity holders of the Company	—	—	—	(18,703)	(18,703)
Transfer	—	7,767	—	(7,767)	—
	<u>—</u>	<u>7,767</u>	<u>—</u>	<u>(7,767)</u>	<u>—</u>
At 30th September 2007	<u>10,296</u>	<u>22,462</u>	<u>—</u>	<u>80,067</u>	<u>112,825</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months and nine months ended 30th September 2007, the Group recorded an unaudited turnover of approximately RMB97,402,000 and RMB394,607,000 respectively, representing an increase of about 47.42% and 21.87% from the unaudited turnover of approximately RMB66,071,000 and RMB323,787,000 for the corresponding periods in last year. The increase of turnover was mainly due to the increase of sales in the Group's products in the market.

Gross Profit

For the nine months ended 30th September 2007, the unaudited gross profits reached approximately RMB67,056,000 with a gross profits margin of about 16.99%, while the unaudited gross profits and gross profits margin were approximately RMB61,814,000 and 19.09% respectively for the corresponding period in last year. The gross profit margin was decreased by 2.10%, which was mainly due to the lower gross profits margin contributed from the resale of purchased drip assemblies from outside suppliers by the Group.

Operating Costs and Expenses

The distribution costs decreased by approximately RMB1,246,000 or about 7.31% from RMB17,047,000 for the corresponding period in 2006 to approximately RMB15,801,000 for the nine months ended 30th September 2007. The decrease was mainly due to the customers were more familiar with the products of the Group and lead to the decrease in cost incurred in relation to after-sale services.

The administration expenses increased by approximately RMB8,479,000 or about 106.52% from RMB7,960,000 for the corresponding period in 2006 to approximately RMB16,439,000 for the nine months ended 30th September 2007. It was mainly resulted from the expenses incurred in relation to the proposed migration on the listing of the H shares from the GEM to the main board of the Stock Exchange.

The finance costs increased by approximately RMB554,00 or about 17.68% from RMB3,133,000 for the corresponding period in 2006 to approximately RMB3,687,000 for the nine months ended 30th September 2007. It was mainly due to the increase of the Company's borrowing and interest rate when compared with corresponding period in last year.

Taxation decreased by approximately RMB4,562,000 or 92.24% from RMB4,946,000 for the corresponding period in 2006 to RMB384,000 for the nine months ended 30th September 2007. It was mainly due to the tax exemption granted to the Company and 甘肅天業.

The unaudited profit attributable to equity holders of the Company increased by approximately RMB2,524,000 or about 8.65% from approximately RMB29,185,000 for the corresponding period in 2006 to approximately RMB31,709,000 for the nine months ended 30th September 2007.

Prospects

The Directors expect that with the steady growth of the demand for various types of agricultural water saving irrigation products, there will be more keen competition. The Group will put more effort in the research of inventing new water saving irrigation products, the perfection of agricultural water saving drip system and the innovation of automatic equipment and sales model. It will also continue to recruit sales staff and expand various sales channels for water saving equipment and control costs so as to ensure a steady growth of the Group's return.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2007, the interests of the Directors, supervisors (the "Supervisors") (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) has applied to the Supervisors) or chief executives of the Company, including their respective associates, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Name of Directors/ Supervisors	Name of companies/ associated corporations	Type of interests	Capacity	Number and class of securities	Approximate percentage of shareholding
				(Note 1)	
Guo Qing Ren (Director)	Tianye Company	Personal	Beneficial owner	46,080 domestic shares (L)	0.0105%
Shi Xiang Shen (Director)	Tianye Company	Personal	Beneficial owner	34,864 domestic shares (L)	0.0079%
Huang Jun Lin (Supervisor)	Tianye Company	Personal	Beneficial owner	53,248 domestic shares (L)	0.0121%

Note:

1. The letter "L" represents the Directors' and Supervisors' long positions in such securities.

Other than as disclosed above, none of the Directors, Supervisors and chief executives of the Company nor their respective associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation as at 30th September 2007.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE H SHARES

So far as is known to the Directors, the Supervisors and chief executives of the Company, as at 30th September 2007, none of the Directors, the Supervisors or chief executives of the Company or any of their respective associates (including spouses and children under 18 years of age) had any interest in, or has been granted, or exercised, any rights to subscribe for H Shares (or warrants or debentures, if applicable) or to acquire H Shares of the Company.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

(A) Substantial shareholders (the "Shareholders") of the Company

As at 30th September 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following persons or entities (other than a Director, Supervisor or chief executive) had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company:

Name	Type/nature of interest	Capacity	Number of the domestic shares of the Company held <i>(Note 1)</i>	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Tianye Company	Corporate	Beneficial owner	202,164,995(L)	38.91% <i>(Note 3)</i>
Tianye Group <i>(Note 4)</i>	Corporate	Interest in controlled corporation	202,164,995(L)	38.91%
Shenzhen City Li Tai Lai Investment Development Company Limited ("Li Tai Lai")	Corporate	Beneficial owner	93,994,831(L)	18.09% <i>(Note 5)</i>
Yang Ming Gui <i>(Note 6)</i>	Personal	Interest in controlled corporation	93,994,831(L)	18.09%

Notes:

1. The letter “L” denotes the person’s entity’s long positions in the Shares of the Company.
2. The approximate percentage of shareholding is calculated with reference to the total issued share of 519,521,560 shares of the Company (the “Share”, including domestic Shares and H Shares).
3. The domestic shares held by Tianye Company were equivalent to approximately 63.75% of the total domestic Shares of the Company in issue.
4. The domestic Shares were held by Tianye Company. By virtue of the SFO, Tianye Group, which is interested in approximately 43.27% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic Shares of the Company held by Tianye Company.
5. The domestic Shares held by Li Tai Lai were equivalent to approximately 29.64% of the total domestic Shares of the Company in issue.
6. The domestic Shares were held by Li Tai Lai. By virtue of the SFO, Yang Ming Gui, who is interested in 58% of the registered capital of Li Tai Lai, is deemed to be interested in 93,994,831 domestic Shares of the Company held by Li Tai Lai.

(B) Other persons who are required to disclose their interests pursuant to Divisions 2 and 3 of Part XV of the SFO

As at 30th September 2007, save for the persons or entities disclosed in sub-section (A) above, the following persons or entities (other than a Director, Supervisor or Chief Executive of the Company) had notified the Company of relevant interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholders	Type of interest	Capacity	Number of H	Approximate
			shares of the Company held	percentage of the total issued share capital of the Company
			(Note 1)	(Note 2)
USB AG	Corporate	Investment manager	18,425,000(L)	3.58% (Note 3)
Fidelity International Limited	Corporate	Investment manager	14,078,000(L)	2.71% (Note 4)
BNP Paribas Asset Management	Corporate	Investment manager	13,618,000(L)	2.62% (Note 5)

Notes:

1. The letter “L” denotes the person’s entity’s long positions in the Shares of the Company.
2. The approximate percentage of shareholding is calculated with reference to the total issued Share of 519,521,560 Shares of the Company (including domestic Shares and H Shares).

3. The H Shares held by USB AG were equivalent to approximately 9.10% of the total H Shares of the Company in issue.
4. The H Shares held by Fidelity International Limited were equivalent to approximately 6.96% of the total H Shares of the Company in issue.
5. The H Shares held by BNP Paribas Asset Management were equivalent to approximately 6.73% of the total H Shares of the Company in issue.

Save as disclosed above, as at 30th September 2007, the Directors were not aware of any persons (other than the Directors, the Supervisors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPETING INTEREST

None of the Directors, the Supervisors and the management shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) are interested in any business which competes or may compete (directly or indirectly) with any business of the Group or has or may have any conflicts of interests with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

Based on the latest information and notices from Sun Hung Kai International Limited, the Company's compliance adviser, pursuant to Rules 6.36 and 18.75 of the GEM Listing Rules, as at 30th September 2007, neither Sun Hung Kai International Limited nor its directors, employees or associates had any interests in the share capital of the Company. Pursuant to an agreement dated 20th February 2006 entered into between Sun Hung Kai International Limited and the Company (the "Agreement"), Sun Hung Kai International Limited received and will receive fees for acting as the Company's compliance adviser for a term expiring on the date on which the Company distributes the annual report for the second full financial year after its listing on 28th February 2006, or for the period until the termination under the terms and conditions of the Agreement.

AUDIT COMMITTEE

The primary duties of the Audit Committee include reviewing and monitoring the financial reporting procedures and internal control system of the Group. As at 30th September 2007, the Audit Committee comprises three independent non-executive Directors, namely Messrs. He Lin Wang, Xia Jun Min and Gu Lie Feng.

The unaudited consolidated financial results of the Group for the nine months ended 30th September 2007 have been reviewed by the Audit Committee. In the opinion of the Audit Committee, such unaudited results have been complied with the applicable accounting standards and requirements and have contained adequate disclosures.

The unaudited consolidated financial results of the Group for the nine months ended 30th September 2007 have not been reviewed by the external auditors of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30th September 2007, the Company has adopted the code of conduct for securities transactions by the Directors (the “Code”), which terms are no less than the required terms for dealings of Shares by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In addition, the Company has made specific inquiries of all the Directors, and has not been notified of any non-compliance with the Code.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 30th September 2007, the Company and/or any of its subsidiaries has not purchased, sold or redeemed any of the Company’s listed securities.

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

Xinjiang, the PRC, 15th October 2007