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**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: 840)**

## **DISCLOSEABLE TRANSACTION**

The Company has, during the period between 10 June 2009 and 7 August 2009, by way of a series of on-market transactions acquired an aggregate of 2,899 PVC Futures contracts for an aggregate Acquisition Consideration of RMB11,871,000 and sold an aggregate of 1,540 PVC Futures contracts for an aggregate Sale Consideration of RMB4,610,000 conducted on the DCE.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the acquisition and sale of the PVC Futures contracts, when aggregated together, constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules.

## **ACQUISITION AND SALE OF PVC FUTURES**

During the period between 10 June 2009 and 7 August 2009, the Company has acquired an aggregate of 2,899 PVC Futures contracts for an aggregate Acquisition Consideration of RMB11,871,000 and sold an aggregate of 1,540 PVC Futures contracts for an aggregate Sale Consideration of RMB4,610,000 by way of series of on-market transactions conducted on the DCE. The price for acquisition and sale of each of the PVC Futures contracts, which has been determined on an arm's length basis by reference to the market price on the relevant futures exchange. The average acquisition price was approximately RMB4,100 per each PVC Futures contract, while the average sale price was approximately RMB3,000 per each PVC Futures contract. The total consideration including expenses for the acquisitions and sale of the PVC Futures contracts amounted to approximately RMB16,481,000, which were settled in cash and funded by internal sources of the Group. Save as disclosed, the Group did not acquire any other PVC Futures during the 12 months period ended 7 August 2009.

As the PVC Futures were acquired and sold on the market, the Directors do not know the identity of the counterparty(ies) and so far as they are aware, that the counterparty(ies) is/are independent third party(ies) to the Company and is/are not connected person(s) of the Company for the purpose of the Listing Rules.

## **REASONS FOR THE ACQUISITIONS OF PVC FUTURES**

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, and the Group is also engaged in the provision of installation services of water saving irrigation system for the agricultural customers.

In recent years, the price of PVC fluctuated sharply because of the increase in the costs of raw materials, such as coal and crude oil. The PVC price reached the highest rate at RMB8,900 per ton in July 2008, and decreased to RMB5,200 per ton in November 2008, representing approximately a decrease of 42% within four months. Having regard to the PVC market conditions and launch of PVC Futures trading market at DCE, the Directors consider that the acquisitions of PVC Futures contracts could minimise the price risk exposure for PVC and reduce fluctuations in operating results of the Group.

The Directors also consider that the acquisitions and sales of the PVC Futures contracts were fair and reasonable as so far the Company and the shareholders are concerned and the acquisitions of the PVC Futures contracts are in the interests of the Company and its shareholders as a whole.

## **GENERAL INFORMATION ABOUT THE PVC FUTURES**

On 13 May 2009, CSRC approved the trading of PVC Futures on DCE commencing on 25 May 2009 to let enterprises hedge against price changes of the plastic. According to the announcement issued by CSRC on 15 April 2009, the introduction of PVC Futures trading will bring certain merits, such as optimizing the PVC pricing mechanism and providing enterprises of PVC production, trading and consumption with a cost-efficient risk control method, thus improving their management, enhancing their competitiveness in the market and driving the stable development of relevant industries.

The trading of PVC Futures were first launched at DCE on 25 May 2009, which DCE has implemented the “Measures for Administration of Futures Trading” and set out the price limit system and required qualify standard for PVC. DCE requires the trading margin for a new PVC Futures contract at the minimum rate of 5% of the contract value, and imposes the daily limit of price fluctuations at the rate of 4% of the previous settlement price for PVC Futures. The trading unit of PVC Futures shall be 5 tons per lot and the minimum price change is RMB5 per ton. Furthermore, DCE would select recommended delivery producers and brands for PVC Futures in strict accordance with the quality standards as required under the national industry policy and environmental protections. DCE also designated delivery warehouses which located in Shanghai municipality, Guangdong, Zhejiang and Jiangsu provinces.

## **INFORMATION RELATING TO THE COMPANY**

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system. They also provide installation service of water saving irrigation system for their customers.

## **POSSIBLE FURTHER ACQUISITIONS AND SALES**

As at the date of this announcement, the Board is considering the acquisition and sales of additional PVC Futures contracts by the Group by way of further on-market transactions, on such terms and conditions as may be determined by the Board from time to time. The Board

does not anticipate that the acquisitions or sales of those additional PVC Futures contracts, when aggregated with Acquisition Consideration and Sale Consideration for the PVC Futures contracts, would result in any of the applicable percentage ratios under the Listing Rules exceeding 25%. Accordingly, the transactions in aggregate, including the acquisitions and sales of those additional PVC Futures contracts, will remain a discloseable transaction under the Listing Rules.

## GENERAL

Based on the “five-tests” calculation set out in Rule 14.07 of the Listing Rules, each of the acquisition and sale of PVC Futures contracts individually did not exceed 5% of any of the applicable percentage ratios. The series of acquisitions and sales of the PVC Futures contracts, when aggregated, the profits ratio in respect of the acquisitions and sales of the PVC Futures contracts amounts to approximately 5.25%, where therefore constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

## DEFINITIONS

“Acquisition Consideration”	a total consideration of RMB11,871,000 for an aggregate of 2,899 PVC Futures contracts acquired by the Company during the period between 10 June 2009 and 7 August 2009 as referred to in this announcement
“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 established in the PRC with limited liability on 18 December 2003 under the Company Law or its predecessor
“Company Law”	The Company Law of the PRC as enacted by the Standing Committee of the Eighth National People’s Congress of the PRC on 29 December 1993 and came into force on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning attributed to it in the Listing Rules
“CSRC”	China Securities Regulatory Commission, a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“DCE”	The Dalian Commodity Exchange, founded on 28 February 1993, is one of the four futures exchanges in the PRC, which is a self-regulated and non-profit organization. The Dalian Commodity Exchange has strictly enforced the government regulations and exchange rules, which has steady grown since its established and has become the biggest agricultural commodities futures trading centre in the PRC
“Directors”	the directors (including the independent non-executive Directors) of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent third party(ies)”	a person or entity which is independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macau Administrative Region of the People’s Republic of China and Taiwan
“PVC”	polyvinyl chloride, a polymer of vinyl chloride and a type of widely-used plastics, which can be made softer and more flexible by the addition of plasticisers
“PVC Futures”	PVC futures have been listed for trading at DCE since 25 May 2009
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale Consideration”	a total consideration of RMB4,610,000 for an aggregate of 1,540 PVC Futures contracts sold by the Company during the period between 10 June 2009 and 7 August 2009 as referred to in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Xinjiang, PRC, 13 August 2009

*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 four independent non-executive Directors namely He Lin Wang, Xia Jun Min, Gu Lie Feng and Mak King Sau.*

*The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in the announcement, the omission of which would make any statement in this announcement misleading.*

\* For identification purposes only