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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Xinjiang Tianye Water Saving Irrigation System Company Limited\*, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)**

**PROPOSED CHANGE OF AUDITORS**  
**AND**  
**NOTICE OF EXTRAORDINARY GENERAL MEETING**

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An extraordinary general meeting ("EGM") of the Company will be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on Thursday, 27 January 2011 at 11:00 a.m.. The notice convening the EGM is set out on pages 7 to 8 of this circular.

Whether or not you are able to attend such meeting, please complete and return the form of proxy enclosed with this circular in accordance with the instructions printed thereon to the Hong Kong H share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or at the Company's registered office at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meetings or any adjourned meeting should you so wish.

\* *For identification purpose only*

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as may be amended from time to time;
“Board”	the board of Directors;
“Chairman”	chairman of the Board;
“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 company established in the PRC with limited liability on 18 December 2003 whose H Shares are listed and traded on the Main Board of the Stock Exchange;
“Directors”	the directors of the Company;
“Domestic Shares”	domestic share(s) of nominal value of RMB1.00 each in the registered capital of the Company which are subscribed for in RMB;
“EGM”	the extraordinary general meeting of the Company to be convened on Thursday, 27 January 2011 at 11:00 a.m. at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC, the notice of which is set out on pages 7 to 8 of this circular;
“EGM Notice”	the notice dated 13 December 2010 for convening the EGM as set out on pages 7 to 8 of this circular;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“H Shares”	the overseas listed foreign invested share(s) of nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Stock Exchange and subscribed for and traded in HK\$;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Pan-China”	Pan-China (H.K.) CPA Limited;

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## DEFINITIONS

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“PRC”	the People’s Republic of China, but for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	H Shares, the Domestic Shares and all shares of other class(es) resulting from any sub-division, consolidation or reclassification thereof from time to time in the share capital of the Company;
“Shareholders”	the holders of H Shares and Domestic Shares from time to time;
“SHINEWING”	SHINEWING (HK) CPA Limited; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.



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**XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED\***  
*(a joint stock limited company incorporated in the People's Republic of China)*  
**(Stock Code: 840)**

*Executive Directors:*

Mr. Hou Guo Jun (*Chairman*)  
Mr. Shi Xiang Shen  
Mr. Yin Xiu Fa  
Mr. Li Shuang Quan  
Mr. Zhu Jia Ji  
Mr. Chen Lin

*Registered office:*

No. 36, Bei San Dong Road  
Shihezi Economic and  
Technological Development Zone  
Shihezi  
Xinjiang  
PRC

*Independent non-executive Directors:*

Mr. He Lin Wang  
Mr. Xia Jun Min  
Mr. Gu Lie Feng  
Mr. Mak King Sau  
Mr. Wang Yun

*Principal place of business in*

*Hong Kong:*  
Unit 2209, 22/F  
Wu Chung House  
213 Queen's Road East  
Wanchai  
Hong Kong

13 December 2010

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED CHANGE OF AUDITORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

The Board proposed to change the auditors of the Company subject to the approval of the Shareholders.

Reference is made to the announcement on Resignation of Auditors made on 6 December 2010.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### PROPOSED CHANGE OF AUDITORS

The Company received a letter dated 6 December 2010 (the “Letter of Resignation”) from SHINEWING whereby SHINEWING tendered its resignation as auditors of the Group with effect from 6 December 2010. SHINEWING stated in the Letter of Resignation that the reason for its resignation was due to the failure on the part of the Board and SHINEWING to reach a consensus on the audit fee for the year ending 31 December 2010. SHINEWING confirmed in the Letter of Resignation that there were no circumstances connected with its resignation which it considers should be brought to the attention of the shareholders and the creditors of the Company.

SHINEWING were re-appointed as auditors of the Group at the last annual general meeting of the Company held on 10 June 2010 to hold office until the conclusion of the next annual general meeting of the Company. The Company could not reach agreement with SHINEWING in respect of the auditors’ remuneration for the financial year ending 31 December 2010. As the Company aims to carry out effective cost control and reduce overall operating expenses of the Company, the Board considers that it is in the best interest of the Company and Shareholders as a whole to replace SHINEWING with other auditors with whom the Company can agree the audit fees.

The Board confirms that there are no matters in respect of the proposed change of auditors of the Company, which it considers should be brought to the attention of the Shareholders and creditors of the Company.

The Board proposed to appoint Pan-China as auditors of the Group to fill the vacancy arising from the resignation of SHINEWING and hold office until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix the remuneration of the auditors. The appointment of Pan-China as auditors of the Company in place of SHINEWING is subject to the approval by an ordinary resolution at the EGM to be convened pursuant to the Articles of Association of the Company.

SHINEWING have not yet commenced any audit work on the accounts of the Company and its subsidiaries for the financial year ending 31 December 2010. It is expected that the change of auditors of the Company will not affect the audit and the release of the annual results of the Company for the financial year ending 31 December 2010 provided that the appointment of new auditors is duly approved by the Shareholders.

None of the Shareholders of the Company are required to abstain from voting at the EGM. The notice of the EGM is set out in this circular.

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## LETTER FROM THE BOARD

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### EGM

The EGM Meeting will be held on Thursday, 27 January 2011 at the conference room of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC, at which a resolution will be proposed to approve the change of auditors. At the EGM Meeting, votes of the Shareholders will be conducted by way of poll.

Each Shareholder who has the right to attend and vote at the EGM, is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and, on a poll, vote on his behalf at the EGM. The notices of the EGM Meeting are set out on pages 7 to 8 of this circular. Forms of proxy for use by the Shareholders at the EGM are enclosed. Whether or not you intend to be present at the EGM, you are requested to complete and return the respective form of proxy in accordance with the instructions thereon to the Hong Kong H Share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or at the Company's registered office at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

An announcement will be made by the Company following conclusion of the EGM to inform Shareholders of the results of the meeting.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of the EGM, the register of the members of the Company will be closed from Friday, 7 January 2011 to Thursday, 27 January 2011 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the EGM, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or lodged at the registered office of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only) as soon as practicable and in any event not later than 4:00 p.m. on Thursday, 6 January 2011.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the nomination and appointment of Pan-China as auditors of the Group are in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the EGM in respect thereof.

Yours faithfully  
For and on behalf of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Hou Guo Jun**  
*Chairman*

\* *For identification purpose only*



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the extraordinary general meeting (the “EGM”) of Xinjiang Tianye Water Saving Irrigation System Company Limited\* (the “**Company**”) will be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the People’s Republic of China (the “**PRC**”) on Thursday, 27 January 2011 at 11:00 a.m. for the following purpose and to pass the following resolution:

#### ORDINARY RESOLUTION

“**THAT** Pan-China (H.K.) CPA Limited be and is hereby appointed as auditors of the Company and its subsidiaries to fill the vacancy following the resignation of SHINEWING (HK) CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company, and the board of directors of the Company be and is hereby authorised to fix the remuneration of the auditors of the Company.”

By Order of the Board  
**Xinjiang Tianye Water Saving Irrigation System Company Limited\***  
**Hou Guo Jun**  
*Chairman*

Xinjiang PRC, 13 December 2010

#### Notes:

1. Any member entitled to attend and vote at the EGM is entitled to appoint in written form for one or more than one proxy to attend and vote at the EGM on his behalf. A proxy needs not be a member of the Company.
2. The form of proxy for the EGM is herewith enclosed. In order to be valid, the form of proxy, if such proxy form is signed by a person under a power of attorney or authority on behalf of the appointer, a notarially certified power of attorney (if any) or other authority (if any) under which it is signed, must be deposited at the Company’s H Share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong (for the

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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holders of H Shares only) or at the Company's registered office at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), not less than 24 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

3. Shareholders or their proxies shall present proofs of identities when attending the EGM.
4. The register of members of the Company will be closed from Friday, 7 January 2011 to Thursday, 27 January 2011, both days inclusive, during which no transfer of the shares of the Company will be effected. All transfers accompanied by the relevant share certificates for H Shares must be lodged with Company's H Share registrar and transfer office (for the holders of H Shares only) or lodged at the registered office of the Company (for the holders of Domestic Shares only) not later than 4:00 p.m. on Thursday, 6 January 2011. The Shareholders or their proxies being registered before the close of business on Thursday, 6 January 2011 are entitled to attend the EGM by presenting their identification documents.
5. Shareholders who intend to attend the EGM should complete and return the enclosed reply slip for attendance to the H Share registrar and transfer office of the Company in Hong Kong at Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares only) or to the Company's registered office at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC (for the holders of Domestic Shares only), by hand, by post or by fax (the fax number of the Company's H Share registrar and transfer office: (852) 2861 1465 (for holders of H Shares only) or the Company's fax number: (86993) 262 3163 (for holders of Domestic Shares only)) on or before 4:00 p.m. on Thursday, 6 January 2011.
6. Voting of the resolution as set out in this notice will be by poll.
7. The EGM is expected to last for less than one day. Shareholders and their proxies shall attend the EGM at their own cost of travelling and accommodation.
8. The Company's registered address:

No. 36, Bei San Dong Road, Shihezi Economic and Technology Development Zone,  
Shihezi, Xinjiang, the PRC.  
Fax: (86993) 262 3163