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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 forms 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)

**(1) PROPOSED CONTINUING CONNECTED TRANSACTIONS,
(2) PROPOSED GRANT OF ISSUE MANDATE AND
REPURCHASE MANDATE
AND
(3) NOTICES OF ANNUAL GENERAL MEETING AND
CLASS MEETINGS**

**Independent Financial Advisor to the Independent Board Committee and
the Independent Shareholders**

**寶
橋** BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

This circular is dispatched together with the annual report of Xinjiang Tianye Water Saving Irrigation System Company Limited* (the "Company") for the year ended 31 December 2014 (the "Annual Report").

The notice for convening the annual general meeting ("AGM"), the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting ("Class Meetings") of the Company to be held at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC on 5 June 2015 are set out on pages 39 to 52 of this circular. Whether or not you are able to attend such meetings, please complete and return the forms 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, Level 22, Hopewell Centre, 183 Queen's Road East, 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 such meetings or any adjourned meetings. Completion and return of the forms of proxy will not preclude you from attending and voting at the meetings or any adjourned meeting(s) should you so wish.

* For identification purpose only

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DEFINITIONS

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

“2012 Master Purchase Agreement”	a purchase agreement entered into between the Company and Tianye Holdings on 12 March 2012 in respect of purchase of diamond-shaped wheels, packaging films and PVC resins by the Group from Tianye Holdings Group;
“AGM”	the annual general meeting of the Company to be convened on Friday, 5 June 2015 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 39 to 44 of this circular;
“Articles of Association”	the articles of association of the Company as may be amended from time to time;
“associates”	has the meaning as defined under the Listing Rules;
“Board”	the board of Directors;
“Chairman”	chairman of the Board;
“Class Meetings”	collectively, the H Shareholders’ Class Meeting and Domestic Shareholders’ Class Meeting;
“Class Meetings Notices”	the notices for convening the Class Meetings set out on pages 45 to 52 in this circular;
“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;
“Companies Law”	The Companies 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 as defined under the Listing Rules;
“continuing connected transaction(s)”	has the meaning as defined in the Listing Rules;
“Directors”	the directors of the Company;

DEFINITIONS

“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;
“Domestic Shareholders’ Class Meeting”	the class meeting for holders of Domestic Shares to be held on Friday, 5 June 2015 at 1:30 p.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 49 to 52 of this circular;
“Group”	the Company and its subsidiaries;
“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\$;
“H Shareholders’ Class Meeting”	the class meeting for holders of H Shares to be held on Friday, 5 June 2015 at 1:00 p.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 45 to 48 of this circular;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	independent committee of the board of the Company comprising all independent non-executive Directors, Mr. Yin Feihu, Mr. Qin Ming, Mr. Cao Jian and Mr. Mak King Sau, which will be formed to advise the Independent Shareholders in respect of the transactions contemplated under the Master Purchase Agreement;
“Independent Financial Adviser” or “IFA” or “Bridge Partners”	Bridge Partners Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Master Purchase Agreement, together with the proposed annual caps;
“Independent Shareholders”	Shareholders other than Tianye Holdings, and Tianye Company and their associates;

DEFINITIONS

“Issue Mandate”	an unconditional general mandate to issue, allot and deal with the additional Domestic Shares and/or H Shares not exceeding 20 percent of the issued shares of that class as at the date of passing of the relevant resolution;
“Latest Practicable Date”	22 April 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Purchase Agreement”	the master purchase agreement entered into between the Company (for itself and on behalf of its subsidiaries) and Tianye Holdings (for itself and on behalf of its subsidiaries) on 23 March 2015 for the purchase by the Group from Tianye Holdings Group of PVC resins;
“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;
“Proposed Continuing Connected Transactions”	the continuing connected transactions contemplated under the Master Purchase Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder(s)”	has the meaning as defined under the Listing Rules;
“Tianye Company”	新疆天業股份有限公司 (Xinjiang Tianye Company Limited*), a company established in the PRC with limited liability on 9 June 1997, the A shares of which are listed on the Shanghai Stock Exchange. It owns approximately 38.91% of the registered capital of the Company as at the Latest Practicable Date;

* For identification purpose only

DEFINITIONS

“Tianye Company Group”	Tianye Company and its subsidiaries;
“Tianye Holdings”	新疆天業(集團)有限公司 (Xinjiang Tianye (Group) Limited*), which was established in the PRC with limited liability on 28 June 1996, was wholly owned by SACC of No. 8 Division. It owns approximately 43.27% and 21.50% of the registered capital of Tianye Company and the Company respectively at the Latest Practicable Date;
“Tianye Holdings Group”	Tianye Holdings and its subsidiaries (including Tianye Company Group but excluding the Group); and
“%”	percent



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)

Executive Directors:

Mr. Chen Lin (*Chairman*)
Mr. Zhu Jia Ji
Mr. Shao Mao Xu
Mr. Zhang Qiang

Independent non-executive Directors:

Mr. Yin Feihu
Mr. Qin Ming
Mr. Cao Jian
Mr. Mak King Sau

Supervisors:

Mr. Han Pan
Mr. He Jie
Mr. Yang Ming

Registered office:

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

Principal place of business in Hong Kong:

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

28 April 2015

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED CONTINUING CONNECTED TRANSACTIONS,
(2) PROPOSED GRANT OF ISSUE MANDATE AND
REPURCHASE MANDATE,
AND
(3) NOTICES OF ANNUAL GENERAL MEETING AND
CLASS MEETINGS**

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LETTER FROM THE BOARD

1. INTRODUCTION

The purpose of this circular is to provide you with information about the resolutions relating to (1) the Proposed Continuing Connected Transactions (including the proposed annual caps), (2) proposed grant of Issue Mandate and Repurchase Mandate, and (3) notices of AGM and Class Meetings.

2. PROPOSED CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement issued by the Company on 23 March 2015 whereby the Board announced that the Company has entered into the Master Purchase Agreement with Tianye Holdings in respect of the purchase of PVC resins on 23 March 2015.

Details of Master Purchase Agreement

Date of agreement:	23 March 2015
Parties:	(1) the Company (for itself and on behalf of its subsidiaries) as purchaser; and (2) Tianye Holdings (for itself and on behalf of its subsidiaries) as the seller.
Subject:	Purchase of PVC resins.
Condition Precedent:	The Master Purchase Agreement shall take effect upon obtaining the approval of the Independent Shareholders in compliance with the Listing Rules.
Term:	With effect from the date of approval by the Independent Shareholders up to 31 December 2017.
Price:	To be determined by reference to the market price promulgated by the PRC government and if not applicable by the fair market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out therein by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, to the best of the knowledge of the Directors there is no government pricing policy in place which is applicable to PVC resins.

LETTER FROM THE BOARD

Payment terms: Details of the payment terms shall be defined in each of the separate contracts to be entered by the Group and Tianye Holdings Group on terms mutually agreed in accordance with the terms and conditions of the Master Purchase Agreement. In principle, it is generally expected that the payment shall be made on the same month with the date of delivery.

The total historical transactions amounts in respect of purchase of PVC resins under the 2012 Master Purchase Agreement for the three years ended 31 December 2012 to 2014 are RMB58,432,391.71, RMB258,440,403.10 and RMB222,356,033.86 respectively.

The proposed annual caps under the Master Purchase Agreement shall not exceed RMB242,700,000 for the three years ending 31 December 2015 to 2017 respectively. The proposed annual caps have been determined by reference to (i) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines of the Group; (ii) direct proportionality between the production of PVC pipelines and the demand for PVC resins; (iii) the proportion of PVC resins to be sourced from Tianye Holdings Group; and (iv) the estimated average market price of RMB5,500 for each ton of PVC resins for the forthcoming three years ending 31 December 2015 to 2017.

The Directors' assumptions in supporting the proposed annual caps in 2015 and a stable annual caps from 2015 to 2017 are based on the estimated market demand and the trend of market price for PVC pipelines.

The PRC government's recent policies on the development in the agricultural and irrigation industry are supportive. In light of this, the Company has expanded its business within the PRC. The Directors believe that the increase in the demand of the Company's PVC pipelines will result in the increase in the purchase of PVC resins in 2015.

The demand in the Company's PVC pipeline will be reflected in the proposed annual caps as PVC resins is the major raw material for the production of PVC pipelines. The purchase price of PVC resins and the production costs are direct proportionate to each other. As shown in the above, the total historical transactions amounts of PVC resins between the years 2012 and 2014 were relatively stable. The Directors believe the positive factor of the supportive policies from the government will be reflected during the year 2015 and expect a 9.1% increase in the proposed annual caps by making reference to the growth rate in the agricultural industry in PRC. Though there is a general increase in market demand of PVC pipelines, the Company also expects a slow economic growth in the PRC. Therefore the Company conservatively determines that the proposed annual caps for the purchase of PVC resins for 2016 and 2017 will remain the same as in 2015.

LETTER FROM THE BOARD

In relation to the average market price of the PVC resins, the average purchase price under the 2012 Master Purchase Agreement were approximately RMB6,327/tons, RMB5,574/ton and RMB5,442/ton in the financial years 2012, 2013 and 2014. Given the economic growth will slow down, it is expected that the market price of the PVC resins will vary in the range from RMB4,800/ton to RMB6,800/ton for the 3 years ending 31 December 2017. The Company therefore adopts an average of RMB5,500/ton being the market price of PVC resins for the year 2015 to 2017 by making reference to the current market price in the PRC. Further, the prices of PVC resins and cruel oil are to a large extent positively related. When the price of cruel oil increase, the cost of the production of PVC resins may increase and vice versa. Based on the above, the Directors adopt an average of RMB5,500/ton in the market price for PVC resins in Xinjiang Province in the coming years.

Save as the proposed annual caps and the introduction of the PRC government pricing policy, there is no material change in the major terms of the Master Purchaser Agreement as compared with that in the 2012 Master Purchase Agreement.

Pricing basis of Master Purchase Agreement

Pursuant to the purchase control procedure, the Company currently procures the purchase of PVC resins by reference to the prevailing market price by obtaining quotations from at least three suppliers at Shihezi or region near Shihezi, which includes Tianye Holdings. The Company will normally choose the supplier with the most favourable quotation, in most cases, of the lowest price. The Company will record (1) the review process and (2) the result upon each purchase. Each purchase contract will be reviewed by the department head in charge and reassess by the purchase management department. The purchase contract will not be entered without the approval of the senior management of the Company.

The Directors believe that the above procurement process will ensure the terms of the Master Purchase Agreement are on normal commercial terms and in the ordinary course of business, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Reasons for the Proposed Continuing Connected Transactions

The Group is principally engaged in the design, manufacturing and sales of drip tapes, 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.

Tianye Holdings Group is principally engaged in different kinds of businesses, including the production and sales of plastic and chemical products, transportation, machinery facilities (for industrial purposes), construction installation (for construction of real estates), steel products, grain cotton and oil products, vehicle accessories, crop production, cultivation, production and sales of tomato paste and other food products, exploitation of land and water for agricultural use, processing of agricultural products and by-products and supply of electricity.

LETTER FROM THE BOARD

Having considered that the factory of Tianye Holdings Group is nearby, the Group can lower the transportation costs if the Group purchases PVC resins from Tianye Holdings Group.

Furthermore, in the event of shortage of PVC resins in the market, Tianye Holdings Group agrees to give priority to the Group to purchase at the market price the PVC resins from them. In the circumstances, the Directors believe that the Group will maintain its competitiveness in the market with lower purchasing costs and stable supply of PVC resins. On the other hand, the Group shall not be obliged to purchase the PVC resins if the Group has other better offer on price for similar quality from independent third parties.

In the circumstances, the Directors believe that the Group will maintain its competitiveness in the market with lower purchasing costs and stable supply of PVC resins and are not aware of any disadvantage of the Proposed Continuing Connected Transactions.

The Directors (including the independent non-executive Directors) consider that the proposed annual caps and the terms of the Master Purchase Agreement are on normal commercial terms and in the ordinary course of business, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Information relating to the Company and Tianye Company

The Company and its subsidiaries are principally engaged in the design, manufacturing and sale of drip tapes, 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.

Tianye Company is principally engaged in the production and sale of plastic and chemical products; vehicles transportation; sale of machinery facilities (other than small vehicles and those products required special approval by the government of the PRC), construction material hardware electric apparatus, steel productions grain cotton, textiles products, vehicle accessories, livestock products and dried and fresh fruits; agricultural cultivation, livestock feeding and exploitation of land and agricultural water for use; production and sales of tomato paste; collating, processing and sales of used plastic, import and export of goods and technologies; and processing of agricultural by-products.

Formation of Independent Board Committee

The Independent Board Committee comprising all the independent non-executive Directors has been established by the Board to advise the Independent Shareholders as to whether the Proposed Continuing Connected Transactions and the proposed annual caps under the Master Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. The text of the letter of advice from Independent Board Committee is set out on page 15 to 16 of this circular.

LETTER FROM THE BOARD

Bridge Partners has been appointed as the IFA to advise the Independent Board Committee and the Independent Shareholders as to whether the Proposed Continuing Connected Transactions and the proposed annual caps under the Master Purchase Agreement are on normal commercial terms, in the ordinary and usual course of business and are fair and reasonable so far as the independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. The text of the letter of advice from Bridge Partners is set out on page 17 to 30 of this circular.

Listing Rules Implications

At the Latest Practicable Date, Tianye Company is a controlling shareholder of the Company holding approximately 38.91% of the issued share capital of the Company, and Tianye Holdings is also interested in approximately 21.50% of the issued share capital of the Company and Tianye Company is in turn owned by Tianye Holdings as to approximately 43.27% of its registered capital and Tianye Holdings is also entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company is considered as a subsidiary of Tianye Holdings. In the circumstances, the transactions under the Master Purchase Agreement constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to Rule 14A.54(2) of the Listing Rules, where an agreement in relation to previously announced continuing connected transactions is renewed or there is a material change to the terms of the agreement, the Company must re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the proposed annual caps of the Master Purchase Agreement are more than 5% and the annual consideration is more than HK\$10,000,000, the transactions contemplated under the Master Purchase Agreement, together with the proposed annual caps, are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, and save as disclosed in this circular, apart from Tianye Company, Tianye Holdings and its associates, no other shareholders will be required to abstain from voting at the AGM and the vote to be taken at the AGM with respect of the Master Purchase Agreement shall be conducted by poll.

As both the executive Directors of the Company, Mr. Chen Lin, the director and vice general manager of Tianye Holdings and Mr. Zhang Qiang, the vice general manager of Tianye Company, have a material interest, they have abstained from voting at the board meeting to approve the Master Purchase Agreement. Save as disclosed above, none of the Directors has a material interest in the Master Purchase Agreement.

LETTER FROM THE BOARD

3. PROPOSED GRANT OF ISSUE MANDATE

In order to ensure flexibility when it is desirable to allot additional Shares, the Directors will seek the approval of the Shareholders to grant the Issue Mandate at the AGM.

The Company has in issue an aggregate of 317,121,560 Domestic Shares and 202,400,000 H Shares as at the Latest Practicable Date. Special resolution no. 1 as set out in the AGM Notice (the “Special Resolution No. 1”) will be proposed at the AGM, namely (i) to grant to the Directors an Issue Mandate to issue, allot and deal with additional Shares up to a maximum of 63,424,312 Domestic Shares and 40,480,000 H Shares, representing 20% of the aggregate nominal amount of the issued share capital of the Company of that class as at the date of passing of the Special Resolution No. 1 on the basis that no further Shares will be issued or repurchased by the Company prior to the AGM; and (ii) to increase the number of existing share capital of the Company up to a maximum of 20% of the aggregate nominal amount of share capital of the Company which the Directors may issue under the Issue Mandate, if given, in the Special Resolution No. 1 as at the date of passing of the Special Resolution No. 1.

4. PROPOSED GRANT OF REPURCHASE MANDATE

The Companies Law, the Mandatory Provisions and the Articles of Association provide for certain restrictions on share repurchase which are applicable to all classes of shares of the Company.

The Companies Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; or (d) the repurchase is made at the request of its shareholders who disagrees with shareholders’ resolutions in connection with a merger or division. The Mandatory Provisions, which the Company has incorporated in the Articles of Association, provide that subject to obtaining the approval of the relevant PRC regulatory authorities and in compliance with the Articles of Association, the Company may repurchase its issued shares for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its Shares or in circumstances permitted by laws or administrative regulations.

The Listing Rules permit the shareholders of a PRC joint stock limited company to grant a general mandate to its directors to repurchase shares of such company that is listed on the Stock Exchange. Such mandate is required to be given by way of a special resolution passed by its shareholders in general meeting and special resolutions passed by holders of domestic shares and holders of overseas listed foreign shares at separate meetings.

H Shares are traded on the Stock Exchange in Hong Kong dollars. Therefore, the repurchase of H Shares by the Company is subject to the approval of the SAFE (or its successor authority), and the price payable by the Company upon any repurchase of H Shares will be paid in Hong Kong dollars.

LETTER FROM THE BOARD

In accordance with the requirements of the Articles of Association applicable to capital reduction, the Company will have to notify its creditors of the passing of the resolution for the reduction of the registered capital of the Company. In addition, the Companies Law provides that the shares repurchased by a company will have to be cancelled and the registered capital of that company will therefore be reduced by an amount equivalent to the aggregate nominal value of the shares so cancelled. In the event of a reduction of registered capital, the Company shall inform its creditors by way of written notice and announcement within a prescribed period after the passing of the relevant resolutions approving such reduction. The creditors shall be entitled to request the Company for repayment of loan and/or provision of guarantee. The statutory notification requirement allows the creditors an opportunity for the recovery and/or security of the debt (in particular for those unsecured debts) where the Company's registered capital is to be reduced.

Conditions to repurchase of H Shares

In order to ensure flexibility and discretion to the Directors in the event that it becomes desirable to repurchase any H Shares (including where such repurchase may lead to an enhancement of the net asset value per Share and/or the earnings per Share), approval is proposed to be sought from the Shareholders for the grant of the Repurchase Mandate to the Directors. In accordance with the legal and regulatory requirements described above, the Directors give notices to convene the AGM and the Class Meetings. At each such meeting, a special resolution will be proposed to grant to the Directors the Repurchase Mandate, i.e. a conditional general mandate to repurchase H Shares in issue on the Stock Exchange with an aggregate nominal value not exceeding 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of such special resolution.

The Repurchase Mandate will be conditional upon (a) the special resolution for approving the grant of the Repurchase Mandate being passed at each of the AGM and the Class Meetings; and (b) the approvals of SAFE (or its successor authority) and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate. If the above conditions are not fulfilled, the Repurchase Mandate will not be exercisable by the Directors.

The Repurchase Mandate would expire on the earliest of (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of a period of twelve months following the passing of the relevant resolution at the AGM and the Class Meetings; or (c) the date on which the authority conferred by the special resolution is revoked or varied by a special resolution of the Shareholders in a general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares at their respective class meetings.

The H Shares which may be repurchased by the Company pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal value of H Shares in issue of the Company as at the date of passing of the resolution approving the Repurchase Mandate at the AGM and the Class Meetings.

An explanatory statement giving certain information regarding the Repurchase Mandate is set out in the Appendix to this circular.

LETTER FROM THE BOARD

5. AGM AND CLASS MEETINGS

The AGM and the Class Meetings will be held on Friday, 5 June 2015 at the conference room of the Company at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC.

The notices convening the AGM and the Class Meetings at which the resolutions mentioned above will be proposed are set out on pages 39 to 52 of this circular.

Each Shareholder who has the right to attend and vote at the AGM and the Class Meetings, is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote on his behalf at the AGM and the Class Meetings,. Forms of proxy for use by the Shareholders at the AGM and the Class Meetings are enclosed. Whether or not you intend to be present at the AGM and the Class Meetings, you are requested to complete and return the forms 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, Level 22, Hopewell Centre, 183 Queen's Road East, 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 AGM and the Class Meetings or any adjourned meeting. Completion and return of the forms of proxy will not preclude you from attending and voting at the AGM and the Class Meetings or any adjourned meeting(s) should you to wish.

6. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for certain procedural or administrative matter to be decided by the chairman of the meeting, all votes of the Shareholders at the general meetings will be taken by poll. Accordingly, the chairman of the AGM and Class Meetings will therefore demand a poll for every resolution to be put to the vote at the AGM and Class Meetings pursuant to the Articles of Association.

7. CLOSURE OF REGISTER OF MEMBERS

For the purpose of the AGM and the Class Meetings, the register of the members of the Company will be closed from Saturday, 16 May 2015 to Friday, 5 June 2005 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting and the Class Meetings of the Company, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4:00 p.m. on Friday, 15 May 2015.

LETTER FROM THE BOARD

8. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

9. RECOMMENDATION

The Directors consider that all the proposed resolutions as set out in the AGM Notice and Class Meetings Notices are all in the interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend all Shareholders to vote in favour of all the resolutions to be proposed at the AGM and Class Meetings Notices in respect thereof.

Yours faithfully

For and on behalf of the Board

Xinjiang Tianye Water Saving Irrigation System Company Limited*

Chen Lin

Chairman

* *For identification purpose only*



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)

28 April 2015

To the Independent Shareholders

Dear Sir or Madam,

Proposed Continuing Connected Transactions

We refer to the circular dated 28 April 2015 issued to the Shareholders (the “Circular”) of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Proposed Continuing Connected Transactions and not having any interest in the transactions contemplated under the Proposed Continuing Connected Transactions, we have been appointed by the Board to advise you as to whether, in our opinion, the terms and the proposed annual cap of the Proposed Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders as a whole are concerned. Bridge Partners has been appointed as the Independent Financial Adviser to advise us in this respect.

* For identification purpose only

LETTER FROM INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board in relation to the Proposed Continuing Connected Transactions as set out on pages 6 to 10 of the Circular and the letter from Bridge Partners as set out on pages 17 to 30 of the Circular. Having considered the principal factors and reasons considered by, and the advice of, Bridge Partners as set out in its letter of advice, we consider that the Proposed Continuing Connected Transactions is fair and reasonable so far as the Independent Shareholders are concerned, and is in the best interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to approve the Proposed Continuing Connected Transactions and the proposed annual caps.

Yours faithfully,

For and on behalf of the Independent Board Committee
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Yin Feihu, Qin Ming, Cao Jian, Mak King Sau

LETTER FROM INDEPENDENT FINANCIAL ADVISOR

The following is the full text of the letter from Bridge Partners Capital Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Purchase Agreement, which has been prepared for the purpose of inclusion in this circular.



BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

Room 3303, 33/F, West Tower, Shun Tak Centre,
200 Connaught Road Central, Hong Kong

28 April 2015

*To the independent board committee
and the independent shareholders of
Xinjiang Tianye Water Saving Irrigation System Company Limited*

Dear Sir or Madam,

PROPOSED CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed continuing connected transactions contemplated under the Master Purchase Agreement (the “**Proposed Continuing Connected Transactions**”) with its proposed annual caps (the “**Proposed Annual Caps**”).

The details of the Proposed Continuing Connected Transactions are contained in the Announcement and in the letter from the board (the “**Letter from the Board**”) of the circular of the Company dated 28 April 2015 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Circular.

As of the Latest Practicable Date, Tianye Company was a controlling shareholder of the Company, holding approximately 38.91% of the issued share capital of the Company. Tianye Holdings was also interested in approximately 21.51% of the issued share capital of the Company and Tianye Company was, in turn, owned by Tianye Holdings as to approximately 43.27% of its registered capital and Tianye Holdings was also entitled to appoint and remove the majority of board of directors of Tianye Company. Tianye Company was considered as a subsidiary of Tianye Holdings. Therefore, Tianye Company and Tianye Holdings are connected persons of the Company. Accordingly, the transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under the Listing Rules. As the applicable percentage ratios

LETTER FROM INDEPENDENT FINANCIAL ADVISOR

of the Proposed Annual Caps are more than 5% and the annual consideration of the Proposed Continuing Connected Transactions is more than HK\$10 million, the transactions contemplated under the Master Purchase Agreement, together with the Proposed Annual Caps, are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Yin Feihu, Mr. Qin Ming, Mr. Cao Jian and Mr. Mak King Sau, has been formed to advise the Independent Shareholders in relation to the Master Purchase Agreement and how to vote at the AGM.

We, Bridge Partners, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Master Purchase Agreement, and to make a recommendation as to, among others, whether (i) the terms of the Master Purchase Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Proposed Continuing Connected Transactions, including the Proposed Annual Caps, is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the AGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, inter alia, the Announcement, the Circular, the Master Purchase Agreement, the master purchase agreement entered into between the Group and Tianye Holdings on 13 March 2012 (the “**2012 Master Purchase Agreement**”), the circular of the Company dated 28 March 2012 in relation to the continuing connected transactions contemplated under the 2012 Master Purchase Agreement (the “**2012 Circular**”), the 2013 annual report of the Company (the “**2013 Annual Report**”) and the 2014 annual results announcement of the Company dated 27 March 2015 (the “**2014 Annual Results Announcement**”). We have also reviewed certain information provided by the management of the Company relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the terms of the Master Purchase Agreement, the basis for determination of the Proposed Annual Caps, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

LETTER FROM INDEPENDENT FINANCIAL ADVISOR

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into, the Master Purchase Agreement and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the latest practicable date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Purchase Agreement, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

For the purpose of this letter, unless otherwise specified, conversions of Renminbi into Hong Kong dollars are based on the approximate exchange rate of RMB0.8 to HK\$1.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the Proposed Continuing Connected Transactions, together with the Proposed Annual Caps, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of and reasons for the Proposed Continuing Connected Transactions

(a) Information of the Group

The Group is principally engaged in the design, manufacture and sale of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation system. It also provides installation service of water saving irrigation systems for agricultural customers.

LETTER FROM INDEPENDENT FINANCIAL ADVISOR

As set out in the 2014 Annual Results Announcement, the Group recorded a total turnover of approximately RMB700.8 million for the year ended 31 December 2014, representing an approximately 1.3% increase from the total turnover of approximately RMB691.5 million recorded during the year ended 31 December 2013. The 2014 Annual Results states that the increase in total turnover was mainly due to the growth in demand for water-saving irrigation systems in the PRC. Approximately 54.1% and 43.1% of the total turnover were generated from the sale of drip tapes/drip assemblies and PVC/PE pipelines, respectively, representing a significant share of the total turnover.

(b) Information of the Tianye Holdings Group

The Tianye Holdings Group is principally engaged in different kinds of businesses, including the production and sale of plastic and chemical products, transportation, machinery facilities (for industrial purposes), construction installation (for construction of real estates), steel products, grain cotton and oil products, vehicle accessories, crop production, cultivation, production and sale of tomato paste and other food products, exploitation of land and water for agricultural use, processing of agricultural products and by-products and supply of electricity.

(c) Reasons for the Proposed Continuing Connected Transactions

As discussed in the Letter from the Board, the Group's major source of revenue comes from its sale of PVC pipelines and PVC resin is the major raw material for its production. It is important for the Group to secure a stable supply of PVC resins at a reasonable price in order to maintain its competitiveness in the market.

In assessing whether the entering into of the Proposed Continuing Connected Transactions is in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole, we have considered the following:

- (i) Tianye Holdings Group has been one of the market leaders in the PRC's PVC industry. According to 2015 China PVC's Industry Research Report* (2015 版中國聚氯乙烯行業研究報告) published by CCAON (中國氯鹼網<http://www.ccaon.com/>), the Tianye Holdings Group is one of the market leaders in the PRC's PVC industry with the annual production capacity of PVC resins of 1.4 million tons in 2014. We are advised by the management of the Company that, approximately 1.1 million tons, 1.2 million tons, and 1.3 million tons of PVC resins were produced by the Tianye Holdings Group for the year ended 31 December 2012, 2013, and 2014 respectively. The Tianye Holdings Group has been supplying PVC resins to the Group since 2009. The market leader status of the Tianye Holdings Group in PVC industry compounded with the historical purchases of PVC resins and the long-established business relationship demonstrate that the PVC resins supplied by the Tianye Holdings Group are reliable for the production of PVC pipelines of the Group.

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- (ii) Both the Group and the Tianye Holdings Group are located in Xinjiang. As a result, the Group can benefit from lower raw material delivery time and cost due to the short transportation distance when comparing to if the Group is purchasing from suppliers in other areas.
- (iii) Furthermore, the Tianye Holdings Group agrees to give the Group priority to purchase PVC resins from them at the market price in the event of shortage of PVC resins supply in the market. This allows the Group to secure and enjoy a stable supply of PVC resins for its production.
- (iv) The Group shall not be obliged to purchase PVC resins from the Tianye Holdings Group exclusively, which allows flexibility for the Group to purchase similar PVC resins from independent third parties if the Group is offered better prices for PVC resins.

Having considered the above reasons, we concur with the Directors' views that the entering into of the Proposed Continuing Connected Transactions is in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Master Purchase Agreement

Key terms of the Master Purchase Agreement are as follows:

Date of agreement	:	23 March 2015
Parties	:	(1) The Company (for itself and on behalf of its subsidiaries) as purchaser; and (2) Tianye Holdings (for itself and on behalf of its subsidiaries) as the seller
Subject	:	Purchase of PVC resins
Condition Precedent	:	The Master Purchase Agreement shall take effect upon obtaining the approval of the Independent Shareholders in compliance with the Listing Rules
Term	:	With effect from the date of approval by the Independent Shareholders to 31 December 2017

LETTER FROM INDEPENDENT FINANCIAL ADVISOR

- Price : To be determined by making reference to the price promulgated by the PRC government and if not applicable, by the market price charged by independent third parties at Shihezi or region near Shihezi from time to time and pursuant to the terms set out therein by the parties after arm's length negotiations and on normal commercial terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole
- Payment Terms : Details of the payment terms shall be defined in each of the separate contracts to be entered into by the Group and Tianye Holdings Group on terms mutually agreed in accordance with the terms and conditions of the Master Purchase Agreement. In principle, it is generally expected that the payment shall be made on the same month with the date of delivery

We have reviewed and compared the terms of the Master Purchase Agreement and the 2012 Master Purchase Agreement and noted that there has been no material change between the terms of the two aforesaid agreements. Pursuant to the Master Purchase Agreement, the price for the procurement of PVC resins will be determined (1) by making reference to the price promulgated by the PRC government and if not applicable (2) by making reference to the market price charged by independent third parties at Shihezi or region near Shihezi and on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Group and the Tianye Holding Group will agree to the payment terms, within 1 month from the date of delivery, which are defined in each of the separate contracts based on the terms and conditions of the Master Purchase Agreement. The Tianye Holdings Group also guarantees that, under the same contract terms, the Tianye Holdings Group will give priority to the purchase orders of PVC resins from the Group.

As advised by the management of the Company, there was no fixed price on PVC resins promulgated by the PRC government as at the Latest Practicable Date. Accordingly, the Company and the Tianye Holdings Group will adopt the market price as the pricing standard.

We are given to understand that when the Company decides to purchase PVC resins for its production, it will check the market price by obtaining quotations from independent PVC resins suppliers and the Tianye Holdings Group separately. Since the Group is located in Xinjiang Province, transportation cost (including time cost) is a major concern for the Company for the procurement of material and supplies. The Company will estimate the transportation costs for the purchase of materials from the independent PVC resins suppliers and the Tianye Holdings Group, in order to evaluate the total cost of purchase (i.e. original quotation plus transportation cost) (the “**Total Costs**”). On the basis that the

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PVC resins supplied by independent suppliers and the Tianye Holdings Group are of the same quality, the Company will purchase PVC resins from the supplier who offers at the lowest Total Costs.

We have reviewed the purchasing control procedure (the “**Control Procedure**”) adopted by the Company, which outlines the internal control procedures in respect of the purchase of materials used for production. We note from the Control Procedure that all material suppliers have to be approved by the general manager before they are qualified to supply materials to the Company. Also, all requests for the purchase of materials must first be reviewed by the person-in-charge of the respective departments and then be submitted to senior management for approval. We are of the view that the Control Procedure provides effective control measures to ensure that the transactions under the Master Purchase Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms.

In order to assess the fairness and reasonableness of the pricing basis and payment terms under the Master Purchase Agreement, we have reviewed and compared sample copies of PVC resins’ invoices between (1) the Group and its independent supplier during the two years ended 31 December 2013 and (2) the Group and the Tianye Holdings Group during the three years ended 31 December 2014. The below table shows a comparison on the Total Costs paid for purchases from an independent supplier and from the Tianye Holdings Group during the period from 2012 to 2014.

	Total Costs paid for purchases from an independent supplier <i>(RMB/ton)</i> (i)	Total Costs paid for purchases from the Tianye Holdings Group <i>(RMB/ton)</i> (ii)	% Difference between (i) and (ii)
2013	5,623	5,777	2.7%
2014	n.a.	5,234	n.a.

We note that the Total Costs per ton paid for purchases from the independent supplier is slightly lower than that paid for purchases from the Tianye Holdings Group by 2.7% in 2013. From our sample review, we note that in 2013, majority of the PVC resins purchased from the independent supplier took place in the first half of the year, while the purchases from the Tianye Holdings Group took place mainly in the second half of the year. We also note that the prices of PVC resins in the PRC were higher during the period from July 2013 to November 2013 comparing to the first half of 2013. As a result, the Total Costs per ton paid for purchases from the Tianye Holdings Group were higher than those paid for purchases from the independent supplier.

The Company purchased all its PVC resins from the Tianye Holdings Group in 2014 as the management of the Company explained that the quotations obtained from the independent supplier, taking into account of the transportation cost, were higher than those from the Tianye Holdings Group.

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Although we note that there are price differences in the Total Costs, we have been advised by the management of the Company that the prices of PVC resins have been fluctuating in recent years and are sometimes affected by promotional sales offered by different suppliers. We are of the view that the price differences are relatively immaterial and can be explained, to some extent, by the fluctuation of the prices of PVC resins and of the opinion that the prices offered by the Tianye Holdings Group are no less favourable than those offered by the independent suppliers.

We have also been advised by the management of the Company that the market price is also determined by and taken into account of volume of purchase, payment terms, marketing strategies and negotiating power. Based on the sample reviews and information provided by the management of the Company, we note that the Group's purchase of PVC resins from the Tianye Holdings Group are priced at market prices at Shihezi and in the region near Shihezi.

We have also reviewed and compared sample copies of PVC resins' supply contracts entered into between (1) the Group and the Tianye Holdings Group; and (2) the Group and its independent supplier during the three years ended 31 December 2014. Based on the aforesaid sample review, we noted that the major commercial terms, such as payment, delivery and settlement, under those separate supply contracts entered into between the Group and the Tianye Holdings Group are comparable to and no less favourable than that offered by other independent suppliers.

Pursuant to the Master Purchase Agreement, the Group is free to purchase PVC resins from other independent suppliers other than the Tianye Holdings Group if the Group obtains a better offer on price and/or quality from them. The Tianye Holdings Group also guarantees that, under the same contract terms, the Tianye Holdings Group will give priority to the purchase orders of PVC resins from the Group. We consider that the aforesaid arrangement allows the Group to have the flexibility in purchasing PVC resins for its production and at the same time secure a stable supply of PVC resins at a reasonable prices in order to maintain its competitiveness in the market.

Having considered that (i) the Group's purchase of PVC resins from the Tianye Holdings Group are priced at market prices at Shihezi or in the region near Shihezi (ii) the major commercial terms of the Master Purchase Agreement, such as payment, delivery and settlement, are comparable to and no less favourable than that offered by other independent suppliers; and (iii) the flexibility of the Group in purchasing PVC resins for its production and at the same time securing a stable supply of PVC resins, we consider that the terms of the Master Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

3. PROPOSED ANNUAL CAPS

The table below sets forth the Proposed Annual Caps in respect of the Proposed Continuing Connected Transactions for each of the three years ending 31 December 2017.

	For the year ending 31 December		
	2015	2016	2017
Annual Caps (RMB million)	242.7	242.7	242.7
(equivalent to approx. HK\$ million)	303.4	303.4	303.4

As set out in the Letter from the Board, the Proposed Annual Caps were determined after taking into account of (i) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines; (ii) the direct proportionality between the demand of PVC resins and the production of PVC pipelines; (iii) the proportion of PVC resins to be sourced from Tianye Holdings Group; and (iv) the estimated average market price of RMB5,500 for each ton of PVC resins for the three years ending 31 December 2017.

We have discussed with the management of the Company on how the Proposed Annual Caps are determined. We are given to understand that the management of the Company firstly projected the customer demand for PVC pipelines in 2015 in order to estimate the required production volume of PVC pipelines. Based on the Company's past experience, the management of the Company estimated that 1.02 ton of PVC resins are required for the production of 1 ton of PVC pipelines. It is also the Company's procurement strategy of sourcing approximately 80% of PVC resins from the Tianye Holdings Group. The Proposed Annual Caps are then determined based on the above factors and assumptions, together with the Company's assumed average purchase price of PVC resins from the Tianye Holdings Group of RMB5,500/ton for each of the three years ending 31 December 2017.

We have assessed the above factors and assumptions as follows:

(a) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines

Due to the recent slowdown in economic growth as well as the growing competitiveness of the market, the Company recorded a decline in sales volume of PVC pipelines from 47,799 tons to 46,870 tons representing a decline of 1.9%. The management of the Company is of the view that the development in the agricultural and irrigation industry is and will continue to be benefited from the Government's supporting measures and policies and thus the industry is still in an up-trend.

We noticed that The National Outline on Agricultural Water Saving (2012–2020) (國家農業節水綱要(2012–2020年)) released in 2012 put forward explicit goals for and requirements on water-saving irrigation. A speech given on 29 September 2014 by Mr. LI Guoying, the Vice Minister of the Ministry of Water Resources, PRC, emphasized that the Chinese government had proposed to “develop water-saving irrigation as a revolutionary measure”. Since the beginning of the new century, 11 successive No. 1

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Documents of the central government and the 2011 CPC's Central Working Conference on Water Conservancy have all emphasized that water-saving irrigation is a key strategic measure. In view of the above, we concur with the view of the Company that there are supporting measures and policies on the development in the agricultural and irrigation industry.

According to the China Statistical Yearbook 2013, we have noted an increase of gross output value of the agricultural industry every year for the past 10 years from approximately RMB1,487.0 billion in 2003 to approximately RMB4,694.1 billion in 2012 with a compound annual growth rate of approximately 12.2%. As such, we are of the view that the estimated growing customer demand for PVC pipelines is justifiable.

The management of the Company is of the view that the development in the agricultural and irrigation industry is and will continue to be benefited from the Government's supporting measures and policies. They foresee a growth in the demand for PVC pipelines for years 2015, 2016 and 2017 which reflects in the determination of the Proposed Annual Caps. The historic transactions amounts of PVC resins are RMB229.19 million, RMB258.44 million and RMB222.36 million in year 2012, 2013 and 2014 respectively, which are relatively stable. We note that the Proposed Annual Caps of RMB242.70 million in each of the years 2015, 2016 and 2017 represent an increase of 9.1% compared to the historical transactions amount of RMB222.36 million in 2014. Comparing such increase with the 12.2% 10-year compound annual growth of gross output value of the agricultural industry, we are of the view that the determination of the Proposed Annual Caps is reasonable.

(b) The direct proportionality between the demand of PVC resins and the production of PVC pipelines

We noted that PVC resin is the major raw material for the production of PVC pipelines. Specifically, the production of each ton of PVC pipelines requires 1.02 ton of PVC resins. We have reviewed the Group's historical figures of (i) the production volume of PVC pipelines; and (ii) the volume of PVC resins used for the production of PVC pipelines in the financial years 2012, 2013 and 2014 respectively, which are summarized in the table below.

	For the year ended 31 December		
	FY2012	FY2013	FY2014
	<i>(tons)</i>	<i>(tons)</i>	<i>(tons)</i>
Production volume of PVC pipelines	37,052	49,724	46,818
Volume of PVC resins used for the production of PVC pipelines	37,790	50,723	47,754
Average volume of PVC resins used for each ton of PVC pipelines	1.02	1.02	1.02

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The stable historical figures support the application of multiplying factor of 1.02 ton of PVC resins used for the production of each ton of PVC pipeline in each of the years 2015, 2016 and 2017, therefore, we are of the view that the determination of the Proposed Annual Caps based on the direct proportionality between the demand of PVC resins and the production of PVC pipeline is justifiable.

(c) the proportion of PVC resins to be sourced from Tianye Holdings Group

According to 2015 China PVC's Industry Research Report* (2015版中國聚氯乙稀行業研究報告) published by CCAON (中國氯鹼網<http://www.ccaon.com/>), the Tianye Holdings Group is one of the market leaders in the PRC's PVC industry with the annual production capacity of PVC resins of 1.4 million tons in 2014. As advised by the management of the Company, the Tianye Holdings Group produced approximately 1.1 million tons, 1.2 million tons and 1.3 million tons of PVC resins in FY2012, FY2013 and FY2014, respectively. The Group intends to source approximately 80% of PVC resins from the Tianye Holdings Group for the three years ending 31 December 2017, which is expected to be less than 5% of the current annual production capacity of PVC resins of the Tianye Holdings Group. We agree with the view of the management of the Company that the Tianye Holdings Group has sufficient capacity to fulfill the demand of PVC resins from the Group.

The Tianye Holdings Group is the nearest PVC resins producer to the Group while both being located in Shihezi, Xinjiang Province, therefore, the Group will benefit from lower transportation cost due to the distance and time for product transportation. In view of the above, we agree that the Group's procurement strategy of sourcing approximately 80% of PVC resins from the Tianye Holdings Group is reasonable, and is in the interests of the Group and the Shareholders as a whole.

The table below shows the historical transactions amounts in respect of the purchase of PVC resins under the 2012 Master Purchase Agreement for the three years ended 31 December 2014:

	For the year ended		
	31 December		
	2012	2013	2014
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>
Amount of PVC resins purchased from Tianye Holdings Group	58.4	258.4	222.4

As advised by the management of the Company, it is the Group's procurement strategy of sourcing approximately 80% of PVC resins from the Tianye Holdings Group, which the Company estimates to be approximately RMB242.7 million (which is equal to the Proposed Annual Caps).

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As advised by the management of the Company, the prices of PVC resins and cruel oil are to large extent positively related. When the price of cruel oil increase, the cost of production of PVC resins may increase, and vice versa.

The Directors expect that there will be fluctuation in prices for PVC resins in the coming years. We believe that it is reasonable and commercially justifiable to include a buffer to the Proposed Annual Caps to allow the Group to have flexibility to purchase PVC resins from the Tianye Holdings Group.

We also note that the Directors have projected a stable annual cap for each of the years 2015, 2016 and 2017. The management of the Company expected that China economic growth will slow down during the period from 2015 to 2017. Although water-saving irrigation industry is supported by the government policies as discussed above, it may still be affected by the economic slowdown. As such, the management of the Company conservatively determined the Proposed Annual Caps for 2016 and 2017 to be the same as that of 2015.

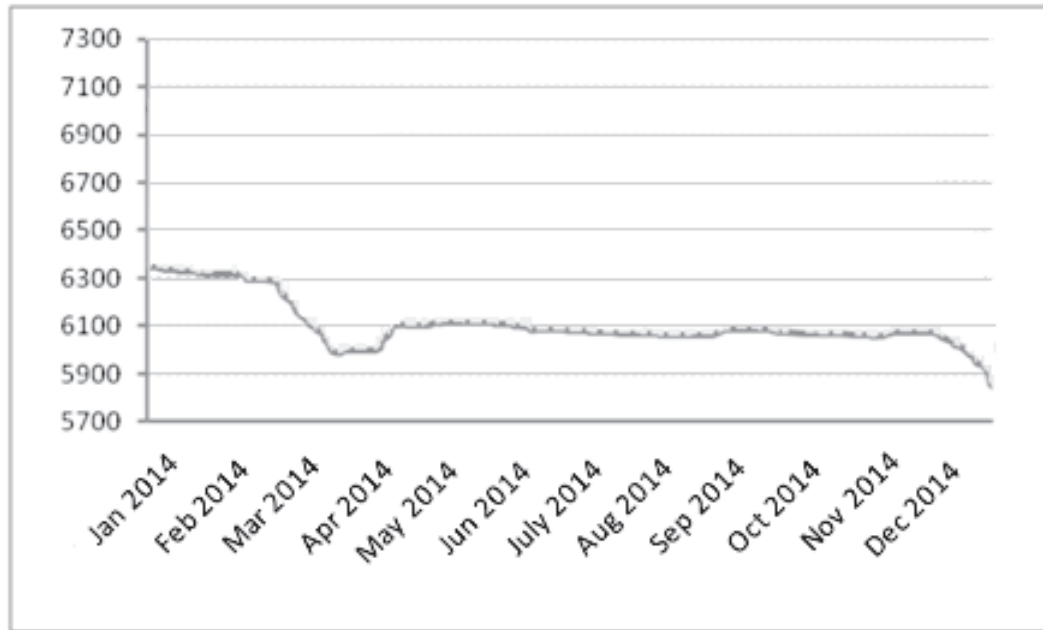
We have discussed with the management of the Company if they have any plan to expand its production capacity from 2015 to 2017 and the Company confirms that they will focus on utilizing its existing production capacity and is not looking for capacity expansion for the production of PVC pipelines. We believe that it would be reasonable for the Company to project a stable annual cap for each of the years 2015, 2016 and 2017.

(d) Estimated market price of PVC resins in the PRC

We have been advised by the management of the Company that the average purchase prices of PVC resins contemplated under the 2012 Master Purchase Agreement were approximately RMB6,327/ton (equivalent to approximately HK\$7,908.8/ton), RMB5,574/ton (equivalent to approximately HK\$6,967.5/ton) and RMB5,442/ton (equivalent to approximately HK\$6,802.5/ton) in FY2012, FY2013 and FY2014, respectively. The management of the Company predicted that the market price of PVC resins will be fluctuating in the range from RMB4,800/ton to RMB6,800/ton (equivalent to approximately HK\$6,000/ton to HK\$8,500/ton) for the three years ending 31 December 2017, provided that there is no unpredictable financial, economic, market and/or other conditions which will materially affect the market price of PVC resins. They assumed that the average purchase price of PVC resins from the Tianye Holdings Group for each of the three years ending 31 December 2017 to be RMB5,500/ton (equivalent to approximately HK\$6,875/ton), representing a slight increase of approximately 1.07% from the average purchase price of PVC resins from the Tianye Holdings Group in FY2014.

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In order to assess whether the estimated average market price of PVC resins of RMB5,500/ton is reasonable, we have studied the historical prices of PVC resins in 2014:



Sources: 2015 China PVC's Industry Research Report* (2015版中國聚氯乙稀行業研究報告) published by CCAON (中國氣鹼網<http://www.ccaon.com/>)

We are given to understand that there is no official research analysis on the price of PVC resins in Xinjiang Province or a region near Xinjiang Province. In order to assess whether the price of PVC resins estimated by the Company is reasonable, we first study the general price level of PVC resins in the PRC. The above chart shows the historical price movement of PVC resins during 2014. The price of PVC resins was at the highest at around RMB6,300/ton at the beginning of the year and at the lowest at around RMB5,900/ton near the end of 2014. The average price of PVC resins, as observed from the chart, was approximately RMB6,100/ton.

We have been advised by the management of the Company that the prices of PVC resins in Xinjiang Province are generally lower than in other places by approximately RMB400/ton to RMB800/ton due to the proximity to the production site. For analysis purpose, we have assumed an average transportation cost saving of approximately RMB600/ton. Taking into account the average price of PVC resins in 2014 of approximately RMB6,100/ton and the average transportation cost savings of approximately RMB600/ton, and provided that there is no unpredictable financial, economic, market and/or other conditions which will materially affect the market price of PVC resins, we obtain a rough price estimate of PVC resins of approximately RMB5,500/ton, which is very close to the price estimated by the Company. In view of the above, we are of the view that the determination of the Proposed Annual Caps based on the estimation of the market price of PVC resins in PRC made by the management of the Company is fair and reasonable. Shareholders must be reminded that the price estimate of PVC resins above is for analytical purpose only. It must not be interpreted as our prediction of the price of PVC resins.

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Having considered the above, we are of the view that the determination of the Proposed Annual Caps based on (i) the estimated growing customer demand for PVC pipelines and the current annual production capacity of PVC pipelines; (ii) the direct proportionality between the demand of PVC resins and the production of PVC pipelines; (iii) the proportion of PVC resins to be sourced from the Tianye Holdings Group; and (iv) the estimated average market price of RMB5,500 for each ton of PVC resins for the three years ending 31 December 2017 is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

ANNUAL REVIEW OF THE TRANSACTIONS

The Proposed Annual Caps will be subject to the annual review by the independent non-executive Directors, details of which must be included in the Company's subsequent published annual report and accounts. In addition, pursuant to the Listing Rules, the auditors of the Company must provide a letter to the Board confirming, among others, that the Proposed Continuing Connected Transactions are conducted in accordance with their terms and that the Proposed Annual Caps not being exceeded. Moreover, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual cap not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the Proposed Continuing Connected Transactions under the Master Purchase Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Taking into account of the above principal factors and reasons, we consider that the terms of the Master Purchase Agreement, including the Proposed Annual Caps and the transactions contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Proposed Continuing Connected Transactions and the Proposed Annual Caps, as detailed in the notice of AGM set out on the pages 39 to 44 of the Circular.

Yours faithfully,
For and on behalf of
Bridge Partners Capital Limited
Monica Lin
Managing Director

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to enable you to make an informed decision on whether to vote for or against the special resolution to approve the grant of the Repurchase Mandate to the Directors.

LISTING RULES RELATING TO THE REPURCHASE OF SECURITIES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below. The Company is empowered by the Articles of Association to repurchase its own securities.

SHARE CAPITAL

As at the Latest Practicable Date, the registered share capital of the Company was RMB519,521,560 comprising 317,121,560 Domestic Shares and 202,400,000 H Shares. Subject to the passing of the proposed resolution for the grant of the Repurchase Mandate and on the basis that no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the AGM and the Class Meetings, the Company will be allowed under the Repurchase Mandate to repurchase a maximum of 20,240,000 H Shares, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolution.

REASONS FOR THE REPURCHASE

The Directors believe that the Repurchase Mandate is in the interests of the Company and the Shareholders. An exercise of the Repurchase Mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and its Shareholders.

FUNDING OF REPURCHASES

In repurchasing its H Shares, the Company may only apply funds from the Company's internal resources legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws, rules and regulations of the PRC, including but not limited to surplus funds and undistributed profits of the Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase.

Taking into account the current working capital position of the Company, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Company as compared with its position as at 31 December 2014, being disclosed in the Company's latest published audited accounts contained in the annual report for the year ended 31 December 2014. However, the Directors do not intend to make any repurchases to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company. The number of H Shares to

be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then prevailing, in the best interests of the Company.

STATUS OF REPURCHASED H SHARES

The Listing Rules provide that the listing of all the H Shares repurchased by the Company shall automatically be cancelled and the relevant share certificates shall be cancelled and destroyed. Under the PRC laws, the H Shares repurchased by the Company will be cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled.

H SHARE PRICES

The highest and lowest prices at which the H Shares have traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2014		
April	0.7100	0.6100
May	0.7000	0.5900
June	0.6900	0.6100
July	0.8100	0.6200
August	0.8300	0.7000
September	0.8600	0.7000
October	0.8800	0.7200
November	0.8700	0.7500
December	0.8600	0.6700
2015		
January	0.7500	0.6800
February	0.7200	0.6700
March	0.7200	0.6500
April (up to the Latest Practicable Date)	1.0600	0.7100

DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

DISCLOSURE OF INTERESTS

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell to the Company any of the H Shares in the Company if the Repurchase Mandate is approved at the AGM and the Class Meetings.

As at the Latest Practicable Date, no connected person of the Company has notified the Company that he/she/it has a present intention to sell any H Shares nor has such connected person undertaken not to sell any of the securities held by him/her/it to the Company in the event that the Repurchase Mandate is granted.

IMPLICATION UNDER THE TAKEOVERS CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases on the Company exercising its powers to repurchase securities pursuant to the Repurchase Mandate, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, (i) Tianye Company was the Substantial Shareholder, which held 202,164,995 Domestic Shares, representing approximately 38.91% of the registered capital of the Company; (ii) Tianye Holdings, which is interested in approximately 43.27% of the registered capital of Tianye Company, held 111,721,926 Domestic Shares, representing 21.50% of the registered capital of the Company. On the basis that 519,521,560 Shares in issue as at the Latest Practicable Date and assuming that no other Shares will be issued or repurchased by the Company on or prior to the date of the AGM and the Class Meetings, if the Repurchase Mandate were exercised in full, the percentage interests in the Company held by Tianye Company and its associates would increase to approximately 62.87% of the then registered share capital of the Company. The Directors are not aware of any consequences which will arise under the Takeovers Code and/or any similar applicable law as a result of any repurchases to be made under the Repurchase Mandate. Moreover, the Directors will not make share repurchase on the Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

SECURITIES REPURCHASE MADE BY THE COMPANY

The Company had not purchased any H Shares (whether on the Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors, supervisors and chief executive of the Company

Directors', Supervisors' and Chief Executives' interests in Shares, underlying Shares and Debentures

As at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company, including their respective associates, have any interests in the Shares and/or underlying shares 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 under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules on the Stock Exchange.

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

As at the Latest Practicable Date, the register of Substantial Shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than a Director, Supervisor or chief executives) had notified the Company of relevant interests and short positions in the Shares or underlying Shares of the Company:

Name	Capacity of interests held	Number of the domestic Shares of the Company held (Note 1)	Approximate percentage of the total issued domestic Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Tianye Company (Note 3)	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited (“Tianye Holdings”) (Note 4)	Beneficial owner Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.50% 38.91%

Notes:

1. “L” denotes the person’s/entity’s long positions in the Shares.
2. 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).
3. The domestic Shares held by Tianye Company were equivalent to approximately 63.75% of the total domestic Shares in issue.
4. 202,164,995 domestic Shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings, 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 held by Tianye Company.

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

As at the Latest Practicable Date, save for the persons or entities disclosed in subsection (A) above, the following persons or entities (other than Directors, Supervisors or chief executives 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 Part XV of the SFO:

Name of shareholders	Capacity	Number of H Shares of the Company held (Note 1)	Approximate	Approximate
			percentage of the total issued H Shares of the Company	percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings (Notes 3)	Beneficial owner	15,967,000(L)	7.90%	3.07%
Tang Hongjian ("Mr. Tang") (Note 4)	Interest in controlled corporation	15,967,000(L)	7.90%	3.07%
Liu Zhonghui ("Ms. Liu") (Note 5)	Interest in spouse	15,967,000(L)	7.90%	3.07%

Notes:

1. "L" denotes the person's/entity's long positions in the Shares.
2. 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).
3. The H Shares held by Long Thrive were equivalent to approximately 7.90% of the total H Shares in issue of the Company.
4. Long Thrive directly held 15,967,000 H Shares in the Company. Long Thrive is wholly-owned by Mr. Tang. By virtue of the SFO, Mr. Tang is deemed to be interested in the 15,967,000 H Shares held by Long Thrive.
5. Ms. Liu is the spouse of Mr. Tang. By virtue of SFO, Ms. Liu is deemed to be interested in the 15,967,000 H Shares held by Long Thrive.

3. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors, proposed directors, supervisors or proposed supervisors of the Company had any existing or proposed service contract with any member of the Group excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. INTEREST IN CONTRACT

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company was materially interested in any contract or arrangement entered into by any member of the Group, and which was significant in relation to the business of the Group.

5. MATERIAL CHANGES

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the directors of the Company and its subsidiaries, or their respective associates has interests in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries.

7. EXPERT

The following sets out the qualifications of the expert which has given its opinion or advice as contained in this circular:

Name	Qualifications
Bridge Partners	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO

- (a) As at the Latest Practicable Date, Bridge Partners was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any H Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 December 2014), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (b) Bridge Partners does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Company were made up.

- (c) Bridge Partners has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) The letter and recommendation given by Bridge Partners are given as of the date of this circular for incorporation herein.

8. LITIGATION

No member of the Company and its subsidiaries is at present engaged in any litigation or arbitration of material importance to the Company and its subsidiaries and no litigation or claim of material importance to the Company and its subsidiaries is known to the Directors or the Company to be pending or threatened by or against any member of the Company and its subsidiaries.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Master Purchase Agreement, the consent letter and the letter of advice from Bridge Partners are available for inspection at the principal place of business in Hong Kong of the Company at Unit 2209, 22/F, Wu Chun House, 213 Queen's Road East, Hong Kong during normal business hours from the date of this circular up to and including the date of the AGM.

10. MISCELLANEOUS

- (a) The English text of this circular shall prevail over the Chinese text.
- (b) The registered and head office of the Company is situated at No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC.
- (c) The place of business of the Company in Hong Kong is at Unit 2209, 22/F, Wu Chung House, 213 Queen's Road East, Hong Kong.

NOTICE OF ANNUAL GENERAL MEETING



新疆天業節水灌溉股份有限公司 XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 840)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “AGM”) 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 Friday, 5 June 2015 at 11:00 a.m. for the following purposes and to pass the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the report of the directors (the “Directors”) of the Company for the year ended 31 December 2014;
2. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2014;
3. To consider and approve the audited consolidated financial statements of the Company and its subsidiaries and the auditors’ report for the year ended 31 December 2014;
4. To consider and approve the resolution for making appropriation to statutory surplus reserve fund for the year ended 31 December 2014;
5. To authorize the board of Directors (the “Board”) to fix the remuneration of the Directors and the supervisors of the Company for the year 2015;
6. To consider and approve the re-appointment of Pan-China Certified Public Accountants LLP as auditors of the Company and to authorize the Board to fix their remunerations;
7. To consider and approve that:
 - (a) the agreement (the “Master Purchase Agreement”) dated 23 March 2015 entered into between the Company and Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司) (“Tianye Holdings”) (a copy of which is produced

* *For identification purpose only*

NOTICE OF ANNUAL GENERAL MEETING

to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose) in relation to the purchase by the Group on an ongoing basis of certain PVC resins which may be required by the Group, and the terms of and the transactions contemplated under the Master Purchase Agreement and the implementation thereof be and are hereby approved, confirmed and ratified; and

- (b) the proposed annual caps in relation to the transactions under the Master Purchase Agreement for the period from the date on which the Master Purchase Agreement becomes effective until the end of the financial year ending 31 December 2015 to 2017 will not exceed RMB242,700,000, RMB242,700,000 and RMB242,700,000 respectively be and are hereby approved; and
- (c) any one director of the Company, be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/them to be incidental to, ancillary to or in connection with transactions contemplated under the Master Purchase Agreement.

SPECIAL RESOLUTIONS

1. “**THAT:**

- (A) there being granted to the Board an unconditional general mandate (“Issue Mandate”) to issue, allot and deal with additional domestic shares of nominal value of RMB1.00 each in the registered capital of the Company (the “Domestic Shares”) and/or overseas-listed foreign invested shares of nominal value of RMB1.00 each in the share capital of the Company (the “H Shares”), to make or grant offers, agreements and options in respect thereof, subject to the following conditions:
 - (a) the aggregate number of Domestic Shares and/or H Shares to be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the Board shall not exceed 20 percent of the issued share capital of that class as at the date of passing of this resolution;
 - (b) the General Mandate shall not extend beyond the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the 12-month period following the passing of this resolution; or
 - (iii) the date on which the authority as set out in this resolution is revoked or varied by a special resolution of the Shareholders in a general meeting.

NOTICE OF ANNUAL GENERAL MEETING

- (c) the Board will only exercise its power under the Issue Mandate in accordance with the Companies Law of the PRC, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as may be amended from time to time) and other relevant laws and regulations of Hong Kong and the PRC, and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;
- (B) contingent on the Board resolving to issue additional shares pursuant to (A) above, the Board be authorised to:
 - (a) increase the registered capital of the Company in accordance with the issue of the Domestic Shares and/or H Shares aforesaid, and attend to the relevant registration procedures with the relevant authorities in the PRC and Hong Kong;
 - (b) make appropriate amendments to the relevant provisions in articles of association of the Company (the “Articles of Association”) in relation to the registered capital of the Company and any other articles that require corresponding amendments so as to reflect the change in the registered capital and shareholding structure of the Company as a result of the allotment or issue of new shares and to submit the relevant amendments to the Articles of Association to the relevant authorities of the PRC and Hong Kong for approval and record (as the case may be); and
 - (c) approve, execute and do or procure to be executed and done, all such documents, deeds and things as it may consider necessary in connection with the issue of such new shares.”
- 2. To authorise the Board of the Company to repurchase H Shares subject to the following conditions:
 - (a) subject to paragraphs (b) and (c) below, during the Relevant Period (as defined in paragraph (d) below), the Board may exercise all the powers of the Company to repurchase H Shares in issue of the Company on the Stock Exchange, subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
 - (b) the aggregate nominal value of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the approval in paragraph (a) above shall be conditional upon:
- (i) the passing of a special resolution in the same terms as this Special Resolution No. 2 (except for this sub-paragraph (c)(i)) at the class meeting for holders of H Shares of the Company to be held on Friday, 5 June 2015 (or on such adjourned date as may be applicable); and the class meeting for holders of Domestic Shares of the Company to be held on Friday, 5 June 2015 (or on such adjourned date as may be applicable); and
 - (ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedures set out in the Articles of Association;
- (a) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares of the Company at their respective class meetings; and
- (b) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
- (i) make such amendments to the Articles of Association of the Company as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and
 - (ii) file the of the Company with the relevant governmental authorities of the PRC and Hong Kong.

NOTICE OF ANNUAL GENERAL MEETING

3. “**THAT** conditional upon the passing of special resolutions nos. 1 and 2 set out in the notice convening this meeting, the aggregate nominal amount of shares of RMB1.00 each in the share capital of the Company which is purchased or repurchased by the Company pursuant to the authority granted to the Board of the Company by special resolution no. 2 set out in the notice convening this meeting shall be added to the aggregate nominal amount of share capital of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the directors of the Company pursuant to special resolution no. 1 set out in the notice convening this meeting, provided that such shares shall not exceed 10 percent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”

By Order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Chen Lin
Chairman

Xinjiang, PRC, 21 April, 2015

* *For identification purpose only*

Notes:

1. Any member entitled to attend and vote at the AGM is entitled to appoint in written form for one or more than one proxy to attend and vote at the AGM on his behalf. A proxy need not be a member of the Company.
2. The form of proxy for the AGM 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, Level 22, Hopewell Centre, 183 Queen’s Road East, 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), not less than 24 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting should you so wish.
3. Shareholders or their proxies shall present proofs of identities when attending the AGM.

NOTICE OF ANNUAL GENERAL MEETING

4. The register of the members of the Company will be closed from Saturday, 16 May 2015 to Friday, 5 June 2015 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting of the Company, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4:00 p.m. on Friday, 15 May 2015.
5. Shareholders who intend to attend the AGM 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, Level 22, Hopewell Centre, 183 Queen's Road East, 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) 28611465 (for holders of H Shares only) or the Company's fax number: (86993) 2623183 (for holders of Domestic Shares only)) on or before 4:00 p.m. on 15 May 2015.
6. As required under the Listing Rules, voting of the resolutions as set out in this notice will be by poll.
7. The AGM is expected to last for less than half day. The Shareholders and proxies attending the AGM shall be responsible for their own travelling and accommodation expenses.
8. The Company's registered address:

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

Fax: (86993) 2623183



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 H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN THAT a class meeting for holders of H Shares (the “H Shareholders’ Class Meeting”) 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 PRC on Friday, 5 June 2015 at 1:00 p.m. for the following purposes and to pass the following resolutions:

SPECIAL RESOLUTION

1. To authorize the board (the “Board”) of directors (the “Directors”) of the Company to repurchase H Shares of the Company (the “H Shares”) subject to the following conditions:
 - (a) subject to paragraphs (b) and (c) below, during the Relevant Period (as defined in paragraph (d) below), the Board may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
 - (b) the aggregate nominal value of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;
 - (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as this Special Resolution No. 1 (except for this sub-paragraph (c)(i)) at the annual general meeting for holders of shares of the Company to be held on Friday, 5 June 2015 (or on such adjourned date as may be applicable);

* *For identification purpose only*

NOTICE OF H SHAREHOLDERS' CLASS MEETING

and the class meeting for holders of Domestic Shares of the Company to be held on Friday, 5 June 2015 (or on such adjourned date as may be applicable); and

- (ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedures set out in the Articles of Association;
- (d) for the purpose of this special resolution, “Relevant Period” means the period from the passing of this special resolution until whichever is the earlier of:
- (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares of the Company at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
- (i) make such amendments to the Articles of Association of the Company as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and

NOTICE OF H SHAREHOLDERS' CLASS MEETING

- (ii) file the amended Articles of Association of the Company with the relevant governmental authorities of the PRC and Hong Kong.

By Order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Chen Lin
Chairman

Xinjiang, PRC, 21 April 2015

* *For identification purpose only*

Notes:

1. The register of the members of the Company will be closed from Saturday, 16 May 2015 to Friday, 5 June 2015 (both days inclusive), during which no transfer of H shares of the Company will be registered in order to determine the list of holders of H Shares of the Company (the "H Shareholders") for attending the H Shareholders' Class Meeting. In order to determine the eligibility to attend the H Shareholders' Class Meeting, the last lodgment for H Share transfer should be made on Friday, 15 May 2015 at Tricor Investor Services Limited by or before 4:00 p.m. The H Shareholders or their proxies being registered before the close of business on Friday, 15 May 2015 are entitled to attend the H Shareholders' Class Meeting by presenting their identity documents. The address of Tricor Investor Services Limited is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
2. Each H Shareholder having the rights to attend and vote at the H Shareholders' Class Meeting is entitled to appoint one or more proxies (whether a H Shareholder or not) to attend and vote on his behalf.
3. H Shareholders can appoint a proxy by an instrument in writing (i.e. by using the Proxy Form enclosed). The Proxy Form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the Proxy Form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the Proxy Form and the notarially certified power of attorney or other documents of authorisation must be delivered to the registered address of the Company in not less than 24 hours before the time scheduled for the holding of the H Shareholders' Class Meeting or any adjournment thereof.
4. H Shareholders who intend to attend the H Shareholders' Class Meeting are requested to deliver the duly completed and signed reply slip for attendance to the Company's registered and principal office in person, by post or by facsimile on or before 4:00 p.m., on 15 May 2015.
5. H Shareholders or their proxies shall present proofs of their identities upon attending the H Shareholders' Class Meeting. Should a proxy be appointed, the proxy shall also present the Proxy Form.

NOTICE OF H SHAREHOLDERS' CLASS MEETING

6. The H Shareholders' Class Meeting is expected to last for less than one day. The H Shareholders and proxies attending the H Shareholders' Class Meeting shall be responsible for their own travelling and accommodation expenses.

7. The Company's registered address:

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

Fax: (86993) 2623183



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 DOMESTIC SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN THAT a class meeting for holders of Domestic Shares (the “Domestic Shareholders’ Class Meeting”) 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 PRC on Friday, 5 June 2015 at 1:30 p.m. for the following purposes and to pass the following resolutions:

SPECIAL RESOLUTION

1. To authorize the board (the “Board”) of directors (the “Directors”) of the Company to repurchase H Shares of the Company (“H Shares”) subject to the following conditions:
 - (a) subject to paragraphs (b) and (c) below, during the Relevant Period (as defined in paragraph (d) below), the Board may exercise all the powers of the Company to repurchase H Shares in issue of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), subject to and in accordance with all applicable laws, rules and regulations and/or requirements of the governmental or regulatory body of securities in the PRC, the Stock Exchange or of any other governmental or regulatory body be and is approved;
 - (b) the aggregate nominal value of H Shares authorized to be repurchased pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10 percent of the aggregate nominal value of H Shares in issue of the Company as at the date of the passing of this resolution;

* *For identification purpose only*

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

- (c) the approval in paragraph (a) above shall be conditional upon:
 - (i) the passing of a special resolution in the same terms as this Special Resolution No. 1 (except for this sub-paragraph (c)(i)) at the annual general meeting for holders of shares of the Company to be held on Friday, 5 June 2015 (or on such adjourned date as may be applicable); and the class meeting for holders of H Shares of the Company to be held on Friday, 5 June 2015 (or on such adjourned date as may be applicable); and
 - (ii) the approval of the State Administration of Foreign Exchange of the PRC and/or any other regulatory authorities as may be required by the laws, rules and regulations of the PRC being obtained by the Company if appropriate; and
 - (iii) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the notification procedures set out in the Articles of Association;
- (d) for the purpose of this special resolution, "Relevant Period" means the period from the passing of this special resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting following the passing of this special resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution; or
 - (iii) the date on which the authority set out in this special resolution is revoked or varied by a special resolution of the members of the Company in any general meeting or by a special resolution of holders of H Shares or holders of Domestic Shares of the Company at their respective class meetings; and
- (e) subject to approval of all relevant governmental authorities in the PRC for the repurchase of such H Shares being granted, the Board be hereby authorized to:
 - (i) make such amendments to the Articles of Association of the Company as it thinks fit so as to reduce the registered capital of the Company and to reflect the new capital structure of the Company upon the repurchase of H Shares as contemplated in paragraph (a) above; and

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

- (ii) file the amended Articles of Association of the Company with the relevant governmental authorities of the PRC and Hong Kong.

By Order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Chen Lin
Chairman

Xinjiang, PRC, 21 April 2015

* *For identification purpose only*

Notes:

1. The register of the members of the Company will be closed from Saturday, 16 May 2015 to Friday, 5 June 2015 (both days inclusive), during which no transfer of domestic shares of the Company (“Domestic Shares”) will be registered in order to determine the list of holders of Domestic Shares of the Company (the “Domestic Shareholders”) for attending the Domestic Shareholders’ Class Meeting. In order to determine the eligibility of attending the Domestic Shareholders’ Class Meeting, the last lodgment for Domestic Share transfer should be made on Friday, 15 May 2015 at the Company’s registered and principal office by or before 4:00 p.m. The Domestic Shareholders or their proxies being registered before the close of business on Friday, 15 May 2015 are entitled to attend the Domestic Shareholders’ Class Meeting by presenting their identity documents.
2. Each Domestic Shareholder having the rights to attend and vote at the Domestic Shareholders’ Class Meeting is entitled to appoint one or more proxies (whether a Domestic Shareholder or not) to attend and vote on his behalf.
3. Domestic Shareholders can appoint a proxy by an instrument in writing (i.e. by using the proxy form enclosed). The proxy form shall be signed by the person appointing the proxy or an attorney authorised by such person in writing. If the proxy form is signed by an attorney, the power of attorney or other documents of authorization shall be notarially certified. To be valid, the proxy form and the notarially certified power of attorney or other documents of authorisation must be delivered to the registered address of the Company in not less than 24 hours before the time scheduled for the holding of the Domestic Shareholders’ Class Meeting or any adjournment thereof.
4. Domestic Shareholders who intend to attend the Domestic Shareholders’ Class Meeting are requested to deliver the duly completed and signed reply slip for attendance to the Company’s registered and principal office in person, by post or by facsimile on or before 4:00 p.m., on 15 May 2015.
5. Domestic Shareholders or their proxies shall present proofs of their identities upon attending the Domestic Shareholders’ Class Meeting. Should a proxy be appointed, the proxy shall also present the Proxy Form.

NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING

6. The Domestic Shareholders' Class Meeting is expected to last for less than one day. The Domestic Shareholders and proxies attending the Domestic Shareholders' Class Meeting shall be responsible for their own travelling and accommodation expenses.

7. The Company's registered address:

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