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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)

Annual Results for the Year Ended 31st December, 2008

GROUP FINANCIAL SUMMARY

- Turnover for the year ended 31st December, 2008 was approximately RMB664,248,000, an increase of approximately 7.80% from 2007;
- Profit for the year ended 31st December, 2008 was approximately RMB6,109,000, a decrease of approximately 91.29% from 2007, the profit attributable to equity holders of the Company was RMB6,694,000, a decrease of approximately 90.48% from 2007;
- Basic earnings per share for the year was approximately RMB1.2 cents (2007: approximately RMB13.5 cents).

RESULTS

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2008, together with the comparative figures for the corresponding period in 2007 as follows:

Consolidated Income Statement

For the year ended 31st December, 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	4	664,248	616,172
Cost of sales		<u>(611,519)</u>	<u>(496,881)</u>
Gross profit		52,729	119,291
Other operating income		4,784	4,360
Distribution costs		(22,294)	(19,581)
Administrative expenses		(16,916)	(23,717)
Other operating expenses		<u>(1,203)</u>	<u>(742)</u>
Profit from operations		17,100	79,611
Finance costs	6	<u>(10,568)</u>	<u>(6,518)</u>
Profit before taxation	7	6,532	73,093
Taxation	8	<u>(423)</u>	<u>(2,939)</u>
Profit for the year		<u>6,109</u>	<u>70,154</u>
Profit attributable to:			
Equity holders of the Company		6,694	70,287
Minority interests		<u>(585)</u>	<u>(133)</u>
		<u>6,109</u>	<u>70,154</u>
Dividends	9	<u>18,703</u>	<u>18,703</u>
Earnings per share — basic	10	<u>RMB1.2 cents</u>	<u>RMB13.5 cents</u>

Consolidated Balance Sheet

As at 31st December, 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		214,024	197,369
Prepaid lease payments		13,200	8,028
Deposit paid for acquisition of property, plant and equipment		5,900	—
Goodwill		98	98
		<u>233,222</u>	<u>205,495</u>
Current assets			
Inventories		400,038	426,775
Trade and other receivables	11	214,207	273,702
Bills receivable		7,340	4,350
Prepaid lease payments		316	179
Tax refundable		442	2,021
Bank balances and cash		147,822	91,394
		<u>770,165</u>	<u>798,421</u>
Current liabilities			
Trade and other payables	12	103,700	145,100
Bills payable		30,000	—
Short-term bank borrowings		189,000	165,000
		<u>322,700</u>	<u>310,100</u>
Net current assets		<u>447,465</u>	<u>488,321</u>
Net assets		<u>680,687</u>	<u>693,816</u>
Capital and reserves			
Share capital		519,522	519,522
Reserves		139,394	151,403
Equity attributable to equity holders of the Company		658,916	670,925
Minority interests		21,771	22,891
Total equity		<u>680,687</u>	<u>693,816</u>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

1. GENERAL

新疆天業節水灌溉股份有限公司 Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is a joint stock limited liability company established in the People’s Republic of China (the “PRC”) on 27th December, 1999. On 28th February, 2006, the Company’s H Shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and were withdrawn from the GEM on 23rd January, 2008. On 24th January, 2008, the Company’s H Shares are listed on the Main Board of the Stock Exchange.

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

The Company and its subsidiaries are engaged in the design, manufacture, installation and sale of irrigation system and equipment.

Hereinafter, the Company and its subsidiaries are collectively referred to as the “Group”. Tianye Holdings and its subsidiaries other than the Group is hereinafter collectively referred to as the “Tianye Holdings Group”.

The consolidated financial statements are presented in Renminbi (“RMB”) which is also the functional currency of the Group.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”)

In the current year, the Group has applied a number of amendments and interpretations (“INTs”) (herein collectively referred to as “New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective for the Group’s financial year beginning 1st January, 2008.

The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments, which are initially measured at fair value. The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. TURNOVER

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

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Drip films and drip assemblies	442,218	401,514
PVC/PE pipelines	219,998	212,188
Provision of installation service	2,032	2,470
	<u>664,248</u>	<u>616,172</u>

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

5. BUSINESS AND GEOGRAPHICAL SEGMENT

During the year, the sole principal activity of the Group was the design, manufacture, installation and sale of irrigation system and equipment and related operations in the PRC and accordingly, no analysis of business and geographical segment is presented.

6. FINANCE COSTS

	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Interests paid on bank borrowings wholly repayable within one year	12,700	6,518
Less: Amount capitalised in construction in progress	<u>(2,132)</u>	<u>—</u>
	<u>10,568</u>	<u>6,518</u>

Borrowing costs capitalised during the year arose on a bank loan and are calculated at the interest rate of 7.47% (2007: Nil) per annum to expenditure on qualifying assets.

7. PROFIT BEFORE TAXATION

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' and supervisors' emoluments		
— salaries and allowances	28,448	30,228
— retirement benefit scheme contributions	<u>3,478</u>	<u>2,738</u>
Total staff costs	<u>31,926</u>	<u>32,966</u>
Auditor's remuneration	650	880
Amortisation of prepaid lease payments	179	179
Depreciation of property, plant and equipment	27,620	23,513
Write-down for inventories (included in cost of sales)	1,899	2,299
Impairment loss recognised on trade receivables	1,097	3,535
Listing expenses	—	3,031
Research and development expenditure	112	—
and after crediting:		
Bank interest income	1,506	935
Waiver of long outstanding trade payables	1,193	—
Reversal of impairment for inventories	1,695	—
Gain arising from sale of equity investments	—	750
Government grants	<u>—</u>	<u>900</u>

8. TAXATION

The Group is not subject to Hong Kong Profits Tax as the Group's income neither arises in, nor is derived from, Hong Kong.

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Tax charge comprises:		
Charge for the year	289	1,327
Under-provision of tax in previous years	<u>134</u>	<u>1,612</u>
	<u>423</u>	<u>2,939</u>

9. DIVIDENDS

A final dividend for the two years ended 31st December, 2007 of RMB0.036 per share, amounting to RMB18,702,776 in each year in aggregate, has been declared and paid to the shareholders of the Company during the two years ended 31st December, 2008 respectively.

No dividend was proposed by the Directors of the Company in respect of the year ended 31st December, 2008, nor has any dividend been proposed since the balance sheet date.

10. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share are based on the Group's profit attributable to the equity holders of the Company of approximately RMB6,694,000 (2007: RMB70,287,000) and on the weighted average number of 519,521,560 (2007: 519,521,560) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there was no dilutive events existed during both the two years ended 31st December, 2008.

11. TRADE AND OTHER RECEIVABLES

Sales to farmer unions are normally on cash basis. The credit term to other customers is normally one year.

Included in the trade and other receivables of the Group were trade receivables (less impairment) with the following aging analysis:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Aged:		
Within 1 year	148,842	194,244
1–1.5 years	<u>11,128</u>	<u>7,453</u>
Trade receivables	159,970	201,697
Other receivables and prepayments	25,170	32,064
Prepayments to suppliers	<u>29,067</u>	<u>39,941</u>
	<u><u>214,207</u></u>	<u><u>273,702</u></u>

12. TRADE AND OTHER PAYABLES

The aging analysis of trade payables is as follows:

	2008 <i>RMB'000</i>	2007 <i>RMB'000</i>
Aged:		
0–180 days	59,742	87,635
181–365 days	5,821	2,831
1–2 years	511	427
Over 2 years	<u>2,137</u>	<u>3,846</u>
	68,211	94,739
Other payables and accruals	15,713	12,004
Deposits and prepayments received from customers	<u>19,776</u>	<u>38,357</u>
	<u><u>103,700</u></u>	<u><u>145,100</u></u>

As at 31st December, 2008, deposits and prepayments received from customers of the Group include deposits and prepayments from Tianye Holdings Group of approximately RMB597,000 (2007: RMB105,000). All of these balances aged within one year from the respective balance sheet dates.

As at 31st December, 2008, other payables and accruals of the Group include a rental payable to Tianye Company of approximately RMB728,000 (2007: Nil).

The Directors of the Company consider that the carrying amounts of trade and other payables approximate their fair values due to their short-term of maturities.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

As a pioneer in providing one-stop solutions for water saving irrigation system in the PRC, the Group is principally engaged in the design, manufacturing and sales of drip films, PVC/PE pipelines and drip assemblies used in water saving irrigation system. The Group is also engaged in the provision of installation services of water saving irrigation system for its customers. Drip irrigation system plays a significant role in water conservation. It is a slow water delivery system in which every drop of water can be applied to the soil surface near the root of plant. The burden of deciding the timing of irrigation and the required amount of water can be relieved from the properly designed automatic drip irrigation system. The potential and importance of water saving irrigation system have been recognised by both the PRC government and producers of agricultural products in the PRC.

The drip films sold by the Group can be categorised into three types, including (i) single-sided labyrinth-style drip films; (ii) embedded-style drip films; and (iii) heavy flow compensatory style drip films.

Along with the opportunities and challenges, the Group may face certain risks involved in its business. Fluctuation in raw materials prices lead to an increase in the costs of the Group's products, thus lowering their competitiveness. In the short term, the Group relies on its key management and personnel. The Group also relies on the stable business relationships with certain major customers. In view of these, the Group will continue to maintain good relationships with its staff and will continue to provide training to its staff. Moreover, the Group will continue to place great emphasis on its after-sales services to its customers and will widen its customer bases by expanding its sales and distribution network.

RESULTS OF OPERATIONS

Turnover

For the year ended 31st December 2008, the turnover of the Group was approximately RMB664,248,000, an increase of approximately 7.80% from approximately RMB616,172,000 for the year ended 31st December 2007.

The following table summaries the breakdown of the total turnover of the Group for each of the two years ended 31st December, 2008 by products or services:

Category	For the year ended 31st December, 2008		For the year ended 31st December, 2007		Year- on year Percentage change %
	Turnover RMB'000	% to total turnover %	Turnover RMB'000	% to total turnover %	
Drip films and drip assemblies	442,218	66.57	401,514	65.16	10.14
PVC/PE pipelines	219,998	33.12	212,188	34.44	3.68
Provision of installation services	<u>2,032</u>	<u>0.31</u>	<u>2,470</u>	<u>0.40</u>	(17.73)
Total	<u>664,248</u>	<u>100.00</u>	<u>616,172</u>	<u>100.00</u>	

The change in turnover for the year ended 31st December, 2008 was mainly attributable to the effect of an expansion of farmland fitted with the water saving irrigation products of the Group. For the year ended 31st December, 2008, sales of drip films and drip assemblies increased by approximately 10.14% to approximately RMB442,218,000, while sales of PVC/PE pipelines increased by approximately 3.68% to approximately RMB219,998,000. At the same time, the sales volume of drip films and drip assemblies increased from approximately 35,127 tonnes for the year ended 31st December, 2007 to approximately 36,247 tonnes for the year ended 31st December, 2008, while the sales volume of PVC pipelines increased from approximately 31,955 tonnes for the year ended 31st December, 2007 to approximately 32,835 tonnes for the year ended 31st December, 2008. The increase in the sales volume of the Group's products was mainly attributable to the growth in demand for water saving irrigation system in the PRC. On the contrary, the decrease in the provision of installation services from approximately RMB2,470,000 to approximately RMB2,032,000 was mainly due to the fact that some of the Company's customers installed water saving irrigation system by themselves; hence, the Group's income generated by the provision of installation services had decreased. As a result, the turnover in provision of installation services decreased by approximately 17.73% for the year under review.

Cost of sales

For the year ended 31st December, 2008, cost of sales of the Group was approximately RMB611,519,000, with an increase of approximately 23.07% from approximately RMB496,881,000 for the year ended 31st December, 2007. Costs of sales for the year ended 31st December, 2008 comprised direct materials costs of approximately RMB532,076,000, direct labour costs of approximately RMB17,471,000 and production overhead of approximately RMB61,972,000, which accounted for approximately 87.01%, 2.86% and 10.13%, respectively, of total costs of sales for the year under review. Costs of sales for the year ended 31st December, 2007 comprised direct materials of approximately RMB428,360,000, direct labour costs of approximately RMB12,220,000 and production overhead of approximately RMB56,301,000, which accounted for approximately 86.21%, 2.46% and 11.33%, respectively, of total costs of sales for 2007.

Gross profit

The Group realised a gross profit of approximately RMB52,729,000 for the year ended 31st December, 2008, with a decrease of approximately RMB66,562,000 from approximately RMB119,291,000 for the year ended 31st December, 2007. The Group's gross profit margin decreased from approximately 19.36% for the year ended 31st December, 2007 to approximately 7.94% for the year ended 31st December, 2008. The decrease in gross profit margin was mainly due to the increase in costs of raw materials and recycle materials for the production of drip films and hence the costs of mix formulas were increased during the year, besides, selling price of PVC pipelines decreased when compared with last year which dragged down the overall gross profit margin for 2008.

Other operating income

Other operating income consists primarily of bank interest income, reversal of impairment for inventories and waiver of long outstanding trade payables. Such income had slightly increased from approximately RMB4,360,000 for the year ended 31st December, 2007 to approximately RMB4,784,000 for the year ended 31st December, 2008.

Distribution costs

Distribution costs were approximately RMB22,294,000 for the year ended 31st December, 2008, representing an increase of approximately 13.86%. The amount accounted for approximately 3.36% of the total turnover for the year ended 31st December, 2008, is slightly higher than its share of total turnover of approximately 3.18% in the previous year. Distribution costs mainly comprised transportation costs, salaries, sales commission, entertainment and after-sales service expenses, etc. For the year ended 31st December, 2008, transportation costs and salaries expenses decreased by approximately 8.58% and 22.67% to approximately RMB6,100,000 and RMB3,675,000 respectively while sales commission, entertainment and after-sales service expenses increased by approximately 18.56%, 183.70% and 152.23% to approximately RMB2,159,000, RMB2,088,000 and RMB2,487,000, respectively. Other expenses increased by approximately 25.41% to approximately RMB5,785,000.

Administrative expenses

Administrative expenses decreased by approximately 28.68% to approximately RMB16,916,000 for the year ended 31st December, 2008. The amount accounted for approximately 2.55% of total turnover for the year ended 31st December, 2008, is less than its share of total turnover of approximately 3.85% in the previous year. For the year ended 31st December, 2008, salary costs decreased by 10.97% to approximately RMB6,332,000, impairment for trade receivables decreased by approximately 71.76% to approximately RMB1,097,000 and listing fees decreased by 100% to nil. Other expenses decreased by approximately 10.82% to approximately RMB9,487,000.

Profit from operations

As a result of the factors discussed above, the Group's profit from operations for the year ended 31st December, 2008 was approximately RMB17,100,000, representing a decrease of approximately 78.52% from approximately RMB79,611,000 for the corresponding period in

the previous year. The Group's gross operating margin (expressed as a percentage of profit from operations over the Group's turnover) were approximately 12.92% and 2.57% respectively for the years ended 31st December, 2007 and 2008.

Finance costs

Finance costs for the year ended 31st December, 2008 amounted to approximately RMB10,568,000, representing an increase of 62.14% as compared to the corresponding period in the previous year. Higher finance costs were mainly resulted from the increase of loans amount and lending rate.

Profit attributable to equity holders of the Company

As a result of the factors discussed above, the profit attributable to equity holders of the Company decreased by approximately 90.48%, from approximately RMB70,287,000 for the year ended 31st December, 2007 to approximately RMB6,694,000 for the year ended 31st December, 2008. For the two years ended 31st December, 2007 and 2008, the Group's net profit margin was approximately 11.41% and 1.01%, respectively.

INDEBTEDNESS

Borrowings

As at 31st December, 2008, the Group had outstanding bank loans of RMB189,000,000, which will be due within a year at fixed interest rates ranging from 5.31% to 7.47% per annum.

For the outstanding bank loans of RMB189,000,000 as at 31st December, 2008, Xinjiang Tianye (Group) Limited ("**Tianye Holdings**") and its subsidiary had granted guarantees to banks for securing loans of RMB175,000,000 at an interest rate of 5.58% to 7.47% per annum. The guarantees for the loans will be released on or before 22nd December 2009.

Commitments

As at 31st December, 2008, the Group had contracted but not provided for capital commitments of RMB7,615,000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2008 were approximately 2.39 and 1.15, respectively, representing a decrease of 0.18 and 0.05 respectively when compared to 31st December, 2007. This is primarily due to approximately 6.26% decrease in inventories, approximately 21.74% decrease in trade and other receivables as at 31st December, 2008 and approximately 61.74% increase in bank balances and cash and approximately 68.74% increase in bills receivable during the year under review. The decrease in liquidity ratios was mainly due to the decrease in production volume and product selling prices as compare to 2007 and therefore the related inventories and trade and other receivables have decreased.

Financial resources

The Group currently finances its operations mainly by internal generated funds, bank loans and cash on hand. The Directors are of the view that, in the long run, the Group will generate its liquidity from business operations and will consider making use of further equity finances, when necessary.

Capital expenditures

For the year ended 31st December, 2008, capital expenditures of the Group in respect of acquisition of property, plant and equipment, deposit paid for acquisition of property, plant and equipment and prepaid lease payment amounted to approximately RMB56,552,000 (2007: approximately RMB66,374,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2008, the Group had gearing ratio (which is defined as total borrowings over total equity) of approximately 27.77% (2007: approximately 23.78%). This is primarily due to the increase in bank loans during the year. The Directors confirm that the Group financed its operations principally from cash generated from its business operations and banking facilities and had not experienced any liquidity problem for the year ended 31st December, 2008.

Funding and treasury policies

The Directors confirm that the Group's funding and treasury policies are mainly based on its cash flow forecast and budgetary system to monitor and control the sources and applications of funds.

The objectives of the Group's funding and treasury policies are to prevent the unreasonable utilisation of funding, enhance the effectiveness on the utilisation of working capital, ensure the punctual repayment of the Group's liabilities upon the relevant maturity date and ensure liquidity of the working capital, so as to optimise the Group's net cash flow position.

Contingent liabilities

As at 31st December, 2008, the Group had no contingent liabilities.

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC, and all of the Group's receipts and payments in relation to the operations are denominated in Renminbi ("RMB"). In this respect, there is no significant currency mismatch in its operational cashflows and the Group is not exposed to any significant foreign currency exchange risk in its operation.

EMPLOYEE AND SALARY POLICIES

The Directors considered the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 31st December, 2008, the Group had 973 employees.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31st December, 2008, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

MATERIAL INVESTMENTS

Akesu Tianye Water Saving Company Limited (“Akesu Tianye”) was established by the Company under the laws of the People’s Republic of China with limited liability on 15th August, 2008 with an operating period of 20 years. The registered capital of Akesu Tianye was RMB40,000,000 and is a wholly owned subsidiary of the Company. Akesu Tianye has not yet commenced its business as at 31st December, 2008.

Other than disclosed above, for the year ended 31st December, 2008, the Group had no material investments.

DIVIDEND

The Directors do not recommend the payment of any final dividend for the year ended 31st December, 2008.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed by the Company from Friday, 17th April, 2009 to Friday, 8th May, 2009, both days inclusive. During such period, no transfer of shares of the Company will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting and class meetings of the Company, all completed transfer forms accomplished by the relevant shares certificates must be lodged with the Company’s H Share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4 p.m. on Thursday, 16th April, 2009.

PROSPECTS

Looking to 2009, the factors which will adversely affect the operations of the Group include the continual widespread of international financial crisis and the evident slowing down of economic growth across the globe that are negatively affecting the PRC economy and harming the development of the agriculture and rural areas in the PRC. The various proactive stimulation packages implemented by the PRC government aiming at supporting long term economic growth have created advantageous conditions for the Group to overcome the difficult situation. Therefore, the Group will lean upon the policies announced by the PRC government in respect of promoting water conservancy construction in agriculture, maintain its stringent cost control policy, enlarge customer bases and accelerate the development of the applications of the Company’s products so as to secure booming results to reward our shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to the improvement in its accountability and transparency of the Group and, thus, further instill confidence of its shareholders and the public. Throughout the financial year ended 31st

December, 2008, the Group has complied with the provisions in the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules. Following specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standards under the Model Code for the year ended 31st December, 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the consolidated financial statements of the Group, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN COMPETING BUSINESS

For the year ended 31st December, 2008, the Directors are not aware of any business or interest of the Directors, the supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of the PRC, which will oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year.

APPRECIATION

Finally, I would like to take this opportunity to thank the Group’s shareholders and business partners for their support and encouragement to the Group during the past year. I would also like to thank our Directors and all staffs of the Group for their hard work and contribution to the Group.

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

Xinjiang, the PRC, 16th March, 2009

As at the date of this announcement, the Board comprises four executive Directors namely Guo Qing Ren, Shi Xiang Shen, Li Shuang Quan and Zhu Jia Ji, and four independent non-executive Directors namely He Lin Wang, Xia Jun Min, Gu Lie Feng and Mak King Sau.

* For identification purpose only