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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)**

**Annual Results for the Year Ended 31st December, 2009**

**GROUP FINANCIAL SUMMARY**

- Turnover for the year ended 31st December, 2009 was approximately RMB571,028,000, a decrease of approximately 14.03% from 2008;
- Profit for the year ended 31st December, 2009 was approximately RMB4,818,000, a decrease of approximately 21.13% from 2008, the profit attributable to owners of the Company was approximately RMB6,479,000, a decrease of approximately 3.21% from 2008;
- Basic and diluted earnings per share for the year was approximately RMB1.2 cents (2008: approximately RMB1.2 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, 2009, together with the comparative figures for the corresponding period in 2008 as follows:

### Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	4	571,028	664,248
Cost of sales		<u>(519,431)</u>	<u>(611,519)</u>
Gross profit		51,597	52,729
Other operating income	6	5,353	4,784
Distribution costs		(24,168)	(22,294)
Administrative expenses		(16,322)	(16,916)
Other operating expenses		<u>(1,679)</u>	<u>(1,203)</u>
Profit from operations		14,781	17,100
Finance costs	7	<u>(7,601)</u>	<u>(10,568)</u>
Profit before taxation	8	7,180	6,532
Taxation	9	<u>(2,362)</u>	<u>(423)</u>
Profit for the year and total comprehensive income for the year		<u><u>4,818</u></u>	<u><u>6,109</u></u>
Profit for the year and total comprehensive income attributable to:			
Owners of the Company		6,479	6,694
Minority interests		<u>(1,661)</u>	<u>(585)</u>
		<u><u>4,818</u></u>	<u><u>6,109</u></u>
Earnings per share — basic and diluted	11	<u><u>RMB1.2 cents</u></u>	<u><u>RMB1.2 cents</u></u>

## Consolidated Statement of Financial Position

As at 31st December, 2009

	<i>Notes</i>	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		<b>246,033</b>	214,024
Prepaid lease payments		<b>13,315</b>	13,200
Deposit paid for acquisition of property, plant and equipment		<b>107</b>	5,900
Goodwill		<b>98</b>	98
		<u><b>259,553</b></u>	<u>233,222</u>
Current assets			
Inventories		<b>443,796</b>	400,038
Trade and other receivables	12	<b>220,067</b>	214,207
Bills receivable		<b>69</b>	7,340
Prepaid lease payments		<b>329</b>	316
Tax refundable		<b>858</b>	679
Deposit in a non-banking financial institution		<b>2,216</b>	—
Bank balances and cash		<b>43,894</b>	147,822
		<u><b>711,229</b></u>	<u>770,402</u>
Current liabilities			
Trade and other payables	13	<b>168,056</b>	103,700
Bills payable		—	30,000
Tax payables		<b>1,054</b>	237
Short-term bank borrowings		<b>117,000</b>	189,000
Derivative financial liabilities		<b>8</b>	—
		<u><b>286,118</b></u>	<u>322,937</u>
Net current assets		<u><b>425,111</b></u>	<u>447,465</u>
Total assets less current liabilities		<u><b>684,664</b></u>	<u>680,687</u>
Capital and reserves			
Share capital		<b>519,522</b>	519,522
Reserves		<b>146,010</b>	139,394
Equity attributable to owners of the Company		<b>665,532</b>	658,916
Minority interests		<b>18,532</b>	21,771
Total equity		<u><b>684,064</b></u>	<u>680,687</u>
Non-current liability			
Deferred income		<b>600</b>	—
		<u><b>684,664</b></u>	<u>680,687</u>

## Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

### 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 new and revised Standards, Amendments to Standards and Interpretation (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

#### **HKAS 1 (Revised 2007) Presentation of Financial Statements**

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

#### **Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)**

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measure at fair value. The amendments also expand and amend the disclosure required to liquidity risk. The Group has not provided comparative information for the expanded disclosure in accordance with the transitional provision set out in the amendments.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain 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 or receivable from goods sold to external customers, net of value-added tax, returns and discounts, and the consideration received and receivable from the services provided during the year, and is analysed as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Drip films and drip assemblies	368,541	442,218
PVC/PE pipelines	202,487	219,998
Provision of installation service	<u>—</u>	<u>2,032</u>
	<u><b>571,028</b></u>	<u><b>664,248</b></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

#### Geographical information

The Group's operations are substantially located in the PRC. The direct export sales made by the Group contributed to less than 10% of the total revenues and results of the Group for both years. Further, the segment assets and capital expenditure by geographical area in which the assets are located are substantially located in the PRC. Accordingly, no geographical segment is presented.

### 6. OTHER OPERATING INCOME

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Gain from futures contracts transactions	1,576	—
Government grants	1,495	—
Waiver of long outstanding other payables	688	1,193
Reversal of impairment for inventories	564	1,695
Bank interest income	513	1,506
Others	<u>517</u>	<u>390</u>
	<u><b>5,353</b></u>	<u><b>4,784</b></u>

## 7. FINANCE COSTS

	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Interests paid on bank borrowings wholly repayable within one year	<b>7,601</b>	12,700
Less: Amount capitalised in construction in progress	<u>—</u>	<u>(2,132)</u>
	<b><u>7,601</u></b>	<b><u>10,568</u></b>

Borrowing costs capitalised during the year ended 31st December, 2008 arose on a bank loan and are calculated at the interest rate of 7.47% per annum to expenditure on qualifying assets. No borrowing costs are capitalised during the year ended 31st December, 2009.

## 8. PROFIT BEFORE TAXATION

	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation has been arrived at after charging:		
Staff costs, including directors' and supervisors' emoluments		
— salaries and allowances	<b>27,642</b>	28,448
— retirement benefit scheme contributions	<u><b>3,273</b></u>	<u>3,478</u>
Total staff costs	<b><u>30,915</u></b>	<b><u>31,926</u></b>
Auditors' remuneration	<b>650</b>	650
Amortisation of prepaid lease payments	<b>325</b>	179
Depreciation of property, plant and equipment	<b>28,273</b>	27,620
Write-down for inventories (included in cost of sales)	—	1,899
Impairment loss recognised on trade receivables	<b>229</b>	1,097
Research and development expenditure	<b>131</b>	211
Loss on deregistration of subsidiaries	<b>363</b>	—
Loss on disposal of property, plant and equipment	<b>380</b>	—
Net loss on changes in fair value of derivative financial instruments	<u><b>8</b></u>	<u>—</u>

## 9. TAXATION

The EIT for the two years ended 31st December, 2009 is calculated at the EIT rates applicable to each of the entities comprising the Group.

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

Tax charge comprises:

	<b>2009</b>	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Charge for the year	<b>2,342</b>	289
Underprovision of tax in previous years	<u><b>20</b></u>	<u>134</u>
	<b><u>2,362</u></b>	<b><u>423</u></b>

## 10. DIVIDENDS

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

No dividend was proposed by the directors of the Company in respect of the two years ended 31st December, 2009, nor has any dividend been proposed since the end of the reporting period.

## 11. EARNINGS PER SHARE — BASIC AND DILUTED

The calculations of basic earnings per share are based on the Group's profit attributable to the owners of the Company of approximately RMB6,479,000 (2008: RMB6,694,000) and on the weighted average number of 519,521,560 (2008: 519,521,560) ordinary shares in issue during the year.

Diluted earnings per share is same as the basic earnings per share since the Company has no diluting events during both years.

## 12. 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 ageing analysis presented based on the invoice date:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Aged:		
Within 1 year	128,139	148,842
1–2 years	<u>19,011</u>	<u>11,128</u>
Trade receivables	147,150	159,970
Other receivables and prepayments	38,391	25,170
Prepayments to suppliers	<u>34,526</u>	<u>29,067</u>
	<u><u>220,067</u></u>	<u><u>214,207</u></u>

## 13. TRADE AND OTHER PAYABLES

The aging analysis of trade payables is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Aged:		
0–180 days	68,330	59,742
181–365 days	21,955	5,821
1–2 years	12,104	511
Over 2 years	<u>1,150</u>	<u>2,137</u>
	103,539	68,211
Other payables and accruals	27,055	15,713
Deposits and prepayments received from customers	<u>37,462</u>	<u>19,776</u>
	<u><u>168,056</u></u>	<u><u>103,700</u></u>

## 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 will 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, 2009, the turnover of the Group was approximately RMB571,028,000, a decrease of approximately 14.03% from approximately RMB664,248,000 for the year ended 31st December, 2008.

The following table summarises the breakdown of the total turnover of the Group for each of the two years ended 31st December, 2009 by products or services:

Category	For the year ended 31st December, 2009		For the year ended 31st December, 2008		Year-on-year percentage change
	Turnover RMB'000	% to total turnover %	Turnover RMB'000	% to total turnover %	
Drip films and drip assemblies	368,541	64.54	442,218	66.57	(16.66)
PVC/PE pipelines	202,487	35.46	219,998	33.12	(7.96)
Provision of installation services	—	—	2,032	0.31	(100)
Total	<u>571,028</u>	<u>100.00</u>	<u>664,248</u>	<u>100.00</u>	



The change in turnover for the year ended 31st December, 2009 was mainly attributable to the decrease of purchases from farmers as a result of the global economic crisis. For the year ended 31st December, 2009, sales of drip films and drip assemblies decreased by approximately 16.66% to approximately RMB368,541,000, while sales of PVC/PE pipelines decreased by approximately 7.96% to approximately RMB202,487,000. At the same time, the sales volume of drip films and drip assemblies decreased from approximately 36,247 tonnes for the year ended 31st December, 2008 to approximately 29,113 tonnes for the year ended 31st December, 2009, while the sales volume of PVC pipelines increased from approximately 32,835 tonnes for the year ended 31st December, 2008 to approximately 34,222 tonnes for the year ended 31st December, 2009. The decrease in the sales volume of the Group's products was mainly attributable to the decrease of farmland by the customers of the Group as a result of the global economic crisis. On the contrary, the decrease in the provision of installation services from approximately RMB2,032,000 to approximately nil 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.

#### *Cost of sales*

For the year ended 31st December, 2009, cost of sales of the Group was approximately RMB519,431,000, a decrease of approximately 15.06% from approximately RMB611,519,000 for the year ended 31st December, 2008. Costs of sales for the year ended 31st December, 2009 comprised direct materials costs of approximately RMB441,003,000, direct labour costs of approximately RMB16,869,000 and production overhead of approximately RMB61,559,000, which accounted for approximately 84.90%, 3.25% and 11.85%, respectively, of the total costs of sales for the year under review. 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 the total costs of sales for 2008.

#### *Gross profit*

The Group realised a gross profit of approximately RMB51,597,000 for the year ended 31st December, 2009, a decrease of approximately RMB1,132,000 from approximately RMB52,729,000 for the year ended 31st December, 2008. The Group's gross profit margin increased from approximately 7.94% for the year ended 31st December, 2008 to approximately 9.04% for the year ended 31st December, 2009. The increase in gross profit margin was mainly due to the decrease in costs of sales of the PVC pipelines and embedded-style drip films by approximately 17.61% and 6.72%, respectively, during the year when compared with last year which increased the overall gross profit margin for 2009.

#### *Other operating income*

Other operating income consists primarily of government grants and gain from futures contracts transactions. Such income had slightly increased from approximately RMB4,784,000 for the year ended 31st December, 2008 to approximately RMB5,353,000 for the year ended 31st December, 2009.

### *Distribution costs*

Distribution costs were approximately RMB24,168,000 for the year ended 31st December, 2009, an increase of approximately 8.4%. The amount accounted for approximately 4.23% of the total turnover for the year ended 31st December, 2009, slightly higher than its share of total turnover of approximately 3.36% in the previous year. Distribution costs mainly comprised transportation costs, salaries expenses, sales commission, entertainment fees and bidding expenses, etc. For the year ended 31st December, 2009, sales-related transportation costs decreased by approximately 16.00% to approximately RMB5,124,000, and salaries expenses and sales commission increased by approximately 34.59% and 9.17% to RMB4,946,000 and RMB2,357,000, respectively, while entertainment fees decreased by approximately 51.44% to approximately RMB1,014,000. Bidding expenses increased by approximately 114% to approximately RMB1,496,000.

### *Administrative expenses*

Administrative expenses decreased by approximately 3.51% to approximately RMB16,322,000 for the year ended 31st December, 2009. The amount accounted for approximately 2.86% of total turnover for the year ended 31st December, 2009, higher than its share of total turnover of approximately 2.55% in the previous year. For the year ended 31st December, 2009, salary costs decreased by 10.70% to approximately RMB5,655,000 and impairment for trade receivables decreased by approximately 79.12% to approximately RMB229,000. Other expenses increased by approximately 10.02% to approximately RMB10,438,000.

### *Profit from operations*

As a result of the factors discussed above, the Group's profit from operations for the year ended 31st December, 2009 was approximately RMB14,781,000, representing a decrease of approximately 13.56% from approximately RMB17,100,000 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) was approximately 2.57% and 2.59%, respectively, for the years ended 31st December, 2008 and 2009.

### *Finance costs*

Finance costs for the year ended 31st December, 2009 amounted to approximately RMB7,601,000, representing a decrease of 28.08% as compared to the corresponding period in the previous year. Lower finance costs were mainly resulted from the slight decrease in loans amount and lending rate.

### *Profit attributable to owners of the Company*

As a result of the factors discussed above, the profit attributable to owners of the Company decreased by approximately 3.21%, from approximately RMB6,694,000 for the year ended 31st December, 2008 to approximately RMB6,479,000 for the year ended 31st December, 2009. For the two years ended 31st December, 2008 and 2009, the Group's net profit margin was approximately 1.01% and 1.13%, respectively.

## **Indebtedness**

### *Borrowings*

As at 31st December, 2009, the Group had outstanding bank loans of RMB117,000,000, which will be due within a year at fixed interest rates ranging from the rate of the People's Bank of China to 5.31% per annum.

For the outstanding bank loans of RMB117,000,000 as at 31st December, 2009, Xinjiang Tianye (Group) Limited ("Tianye Holdings") and its subsidiary had granted guarantees to banks for securing loans of RMB115,000,000 at an interest rate of 5.31% per annum. The guarantees for the loans will be released on or before 28th November, 2011.

### *Commitments*

As at 31st December, 2009, the Group had contracted but not provided for capital commitments of RMB793,000.

## **Liquidity, Financial Resources and Capital Structure**

### *Liquidity ratios*

The current ratio and quick ratio of the Group as at 31st December, 2009 was approximately 2.49 and 0.93, respectively, representing an increase of 0.1 and a decrease of 0.22 respectively when compared to 31st December, 2008. This is primarily due to approximately 99.06% decrease in bills receivable as at 31st December, 2009 and approximately 70.31% decrease in bank balances and cash during the year under review. The decrease in liquidity ratios was mainly due to the decrease in sales and repayment of bank loans and therefore the related bills receivable and bank balances and cash 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, 2009, 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 RMB61,197,000 (2008: approximately RMB56,552,000), which were in line with the expansion plans of the Group.

### *Capital structure*

For the year ended 31st December, 2009, the gearing ratio (which is defined as total borrowings over total equity) of the Group was approximately 17.10% (2008: approximately 27.77%). This is primarily due to the decrease 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, 2009.

### *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, 2009, the Group had no contingent liabilities.

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Group's present operations are mainly carried out in the PRC and all of the Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"). During the year, there was no significant fluctuation in the exchange rate of RMB and the Group is not exposed to any significant foreign currency exchange risk in its operations. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure in both 2008 and 2009.

### **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, 2009, the Group had 1,342 employees.

### **Material Acquisitions or Disposals of Subsidiaries and Associated Companies**

For the year ended 31st December, 2009, the Group had following material acquisitions of subsidiaries:

- (i) 石河子市天誠節水器材有限公司 ("Shihezi Tianchen") was established under the laws of the PRC with limited liability on 6th March, 2009 with an operating period of 20 years. The registered capital of Shihezi Tianchen is RMB15,000,000 and is owned as to 60% by the Company and 40% by 石河子下野地農場. Pursuant to the capital verification report issued by 新疆公信天辰有限責任會計師事務所 dated 28th February, 2009, the total registered capital has been fully paid up as to RMB9,000,000 by the Company and RMB6,000,000 by 石河子下野地農場 respectively.
- (ii) During the year, the amount of the registered capital of 肅省張掖市天業節水器材有限公司 ("Gansu Tianye") was increased from RMB11,050,000 to RMB30,000,000.

On 3rd November, 2009, the Company and minority shareholders of Gansu Tianye entered into a sale and purchase agreement. Pursuant to the said agreement, all minority shareholders of Gansu Tianye agreed to sell all their equity interests in Gansu Tianye and the Company agreed to purchase their respective equity interests in Gansu Tianye for a total consideration of RMB1,204,450. Upon the completion of the transaction, Gansu Tianye becomes a wholly-owned subsidiary of the Company.

Pursuant to the capital verification report issued by 張掖市堂正會計師事務所 dated 4th November, 2009, the said increased amount of the registered capital of Gansu Tianye has been fully paid by the Company as of 4th November, 2009 and Gansu Tianye is a wholly-owned subsidiary of the Company since then.

Other than disclosed above, for the year ended 31st December, 2009, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

### **Material Investments**

For the year ended 31st December, 2009, the Group had no material investments.

### **Dividend**

The Directors do not recommend the payment of any final dividend for the year ended 31st December, 2009.

### **Closure of Register of Members**

The register of the members of the Company will be closed from Friday, 21st May, 2010 to Thursday, 10th June, 2010 (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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 4 p.m. on Thursday, 20th May, 2010.

## **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, 2009, 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **PROSPECTS**

Looking to 2010, the recovery of China's economic and the government's continuous efforts to promote the construction of farmland water conservancy provide opportunities for the development of the Company. The successful development of rice cultivation mode with drip irrigation in dry soil by the Company as well as the accelerated pace of developing overseas markets of the Company, provide us with additional market opportunities for our product applications. The Directors believe that the Company's industry-leading technologies of agricultural water-saving which help to increase the income in agriculture, drought mitigation, enhance agricultural productivity, and other areas have become increasingly prominent, and have become the development direction of cultivation techniques in China's modern agriculture. By leveraging on these advantages, the Company is able to overcome unfavorable factors such as increasing competition in the industry and bring satisfactory returns to investors.



## **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, 2009.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the management, the consolidated financial statements of the Group for the year ended 31st December, 2009, 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, 2009, 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.

## **THE ANNUAL REPORT**

The annual report of the Company for the year ended 31st December, 2009 will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and the Company (<http://www.tianyejieshui.com.cn>) in due course.

## **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, 12th April, 2010

*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