新疆天業節水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

Stock Code: 840

天業

2009 ANNUAL REPORT

* for identification purposes only

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Guo Qing Ren *(Chairman)*
Mr. Shi Xiang Shen
Mr. Li Shuang Quan *(Chief Executive Officer)*
Mr. Zhu Jia Ji

Independent non-executive Directors

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

SUPERVISORS

Ms. Ni Mei Lan
Mr. He Jie
Mr. Huang Jun Lin

QUALIFIED ACCOUNTANT

Ms. Chow Yuk Lan

COMPANY SECRETARY

Ms. Chow Yuk Lan

COMPLIANCE OFFICER

Mr. Shi Xiang Shen

AUDIT COMMITTEE

Mr. He Lin Wang
Mr. Xia Jun Min
Mr. Gu Lie Feng

COMPLIANCE COMMITTEE

Mr. Shi Xiang Shen
Mr. He Lin Wang
Mr. Gu Lie Feng
Mr. Xia Jun Min

REMUNERATION COMMITTEE

Mr. Shi Xiang Shen
Mr. He Lin Wang
Mr. Xia Jun Min
Mr. Gu Lie Feng

NOMINATION COMMITTEE

Mr. He Lin Wang
Mr. Guo Qing Ren
Mr. Shi Xiang Shen
Mr. Xia Jun Min
Mr. Gu Lie Feng

COMPLIANCE ADVISER

KGI Capital Asia Limited
41/F Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Corporate Information

AUDITORS

SHINEWING (HK) CPA Limited
16/F, United Centre
95 Queensway
Hong Kong

HONG KONG LEGAL ADVISER

Li & Partners
22th Floor, Worldwide House
19 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

No. 36, Bei San Dong Road
Shihezi Economic and
Technological Development Zone
Shihezi
Xinjiang
People's Republic of China ("PRC")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F, New World Tower 1
18 Queen's Road Central
Central
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
No. 62-5-6 Dong Liu Road
Shihezi
Xinjiang
PRC

Bank of China
No. 253-1415 Bei Si Road
Shihezi
Xinjiang
PRC

Agricultural Bank of China
No. 6 Dong Jiu Road
Shihezi
Xinjiang
PRC

Industrial and Commercial Bank of China
No. 8 Dong Jiu Road
Bei Si Road
Shihezi
Xinjiang
PRC

Bank of Communications
No. 429 Xinhua Nan Road
Urumqi
Xinjiang
PRC

STOCK CODE

0840

WEBSITE

http://www.tianyejieshui.com.cn

Chairman's Statement

Dear Shareholders,

On behalf of the board of Directors (the "Board"), I hereby announce the report of Xinjiang Tianye Water Saving Irrigation System Company Limited together with its subsidiaries (the "Group") for the year ended 31st December, 2009.

BUSINESS REVIEW

In 2009, the Group was affected by the after effect of the financial crisis which resulted in lower sales revenue of the Group and directly affected the annual operating results of the Group.

- 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).

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 by 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.

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.

Yours sincerely,
Guo Qing Ren
Chairman of the Board
Xinjiang, PRC
12th April, 2010

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:

	For the year ended 31st December, 2009		For the year ended 31st December, 2008		Year-on-year
		% to total		% to total	percentage
	Turnover	turnover	Turnover	turnover	change
Category	RMB'000	%	RMB'000	%	%
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	571,028	100.00	664,248	100.00	

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 RMB202,987,000. 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 those 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 margins were 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 were 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 receivables 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.

RETIREMENT BENEFIT SCHEME AND OTHER BENEFITS

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staffs, whereby the Group is required to make monthly contributions to these schemes. The Group has no obligation for the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Group in connection with these retirement benefit plans were approximately RMB3,273,000 for the year ended 31st December, 2009.

The Group provides its staff in Hong Kong with a provident fund scheme in compliance with the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). The Group is responsible for contributing 5% of the salary of the employees (up to a maximum of HK$1,000 in respect of each employee) on a monthly basis to the fund.

HOUSING PENSION SCHEME

According to the relevant requirement under "The Decision Regarding the Reinforcement of Reform on Housing Systems in Cities and Towns by the State Council" (《國務院關於深化城鎮住房制度改革的決定》), "The Notice Regarding the Further Reinforcement of Reform on Housing Systems and Acceleration of Housing Facilities in Cities and Towns by the State Council" (《國務院關於進一步深化城鎮住房制度改革加快住房建設的通知》) and "Housing Pension Administrative Rules" (《住房公積金管理條例》), all administrative and business units and their staffs shall make contribution to a housing pension for establishment of a housing pension scheme. Both the housing pensions contributed by each staff and by their respective units are vested to the staffs. The percentage of the housing pension contributed by the staffs and their units shall not be less than 5% of the average monthly wages of such staffs of the previous financial year. Such contribution may be varied with those cities with better conditions. The housing pension scheme is mandatory.

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 甘肅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 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 Report

The board of directors (the "**Board**") of Xinjiang Tianye Water Saving Irrigation System Company Limited (the "**Company**", together with its subsidiaries referred as the "**Group**") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2009.

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" (the "**Code**") 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**").

THE BOARD

Composition

The Board comprises eight directors (the "**Director(s)**"), including four executive Directors and four independent non-executive Directors, as at 31st December, 2009. The Board members have no financial, business, family or other material/relevant relationships with each other. Members of the Board are composed of experts with various expertise and professional background in different industries, who have worked for the government agencies in the PRC, public listed companies or other entities. All Directors give sufficient time and attention to the affairs of the Group. The particulars of each Director are set out in the section of Directors, Supervisors and Senior Management on pages 23 to 26 of this annual report.

The presence of four independent non-executive Directors is considered by the Board to be a reasonable balance between executive and independent non-executive Directors, and the Board is of the opinion that such balance has and shall continue to provide adequate checks and balances for safeguarding the interests of the Group and its shareholders. The Group has appointed four independent non-executive Directors, all of whom possess appropriate professional qualifications and two of whom possess appropriate professional qualifications or accounting or related financial management expertise.

In addition, the Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, which has been verified. None of the independent non-executive Directors has served the Group for more than nine years.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Board Meetings

The Board is principally responsible for formulating and reviewing the overall strategies and the fundamental systems of the Group, and approving major transactions and other material operational and financial matters, as well as annual budget and interim and annual results. The Board shall meet, at least, twice a year and an extraordinary meeting may be held as required. The full Board met in person and met six times for the financial year ended 31st December, 2009. At least 14 days' notices of all meetings of the Board ("**Board Meetings**") were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion at the Board Meetings. The company secretary (the "**Company Secretary**") assisted the Chairman in preparing the agenda for the Board Meetings, and ensured that the Board procedures and all applicable rules and regulations were observed. The finalised agenda and accompanying board papers were then sent to all Directors at least three days prior to each proposed Board Meeting.

The following is the attendance records of the Board Meetings by each Director:

Attendants	Number of Board Meetings Attended/Total	Percentage
Executive Directors		
Guo Qing Ren *(Chairman)*	6/6	100%
Shi Xiang Shen	6/6	100%
Li Shuang Quan *(Chief Executive Officer)*	6/6	100%
Zhu Jia Ji	6/6	100%
Independent Non-executive Directors		
He Lin Wang	6/6	100%
Xia Jun Min	6/6	100%
Gu Lie Feng	6/6	100%
Mak King Sau	6/6	100%

During the Board Meetings, the Directors discussed and formulated the overall strategies of the Group, monitored financial performances and discussed the annual and interim results, set next year's budgets, as well as discussed and decided other significant matters. Execution of daily operational matters of the Group is delegated to the management.

The Company Secretary recorded the proceedings of each Board Meeting in detail by keeping detailed minutes. Draft and finalised minutes of Board Meetings were circulated to all Directors for their comments and records respectively at any reasonable time as soon as practicable after each meeting. All minutes are open for inspection at any reasonable time on request by any Director.

All Directors have access to relevant and timely information at all times as the Chairman will ensure that the management will supply the Board and its committees with all relevant information in a timely manner. They may make further enquiries if in their opinions it is appropriate or necessary to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing Directors with board papers and related materials to ensure all applicable laws and rules are fully complied with. If it is considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

In case that a conflict of interest may arise on a matter to be considered by the Board which involves a substantial shareholder or a Director, such matter will be discussed through an actual Board Meeting and will not be dealt with by written resolutions. Independent non-executive Directors who do not have any conflict of interest on the matter will be present at such meetings and to deal with such conflicting issue.

The Board Committees (the "**Committees**"), including the Remuneration Committee, the Nomination Committee, the Audit Committee and the Compliance Committee have all adopted the applicable principles, procedures and arrangements used in Board Meetings.

Chairman and Chief Executive Officer of the Group

The Chairman of the Group is Mr. Guo Qing Ren and the Chief Executive Officer of the Group is Mr. Li Shuang Quan. The roles of Chairman and Chief Executive Officer are separate and not performed by the same individual to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman of the Group is primarily responsible for the management of the Board, whereas the Chief Executive Officer is primarily responsible for the daily operations of the Group.

The Chairman is responsible for leading the Board and ensuring the Board works effectively, through which the Chairman will ensure that good corporate governance practices and procedures are established and followed, and that all Directors receive all relevant information in a timely manner. Each Director should be properly notified the matters in question prior to each Board Meeting.

The Chairman will also encourage all Directors, including the independent non-executive Directors, to actively participate in all Board Meetings and the Committee meetings.

Training and Support for Directors

For every Director, the Group provides various briefings and trainings to develop and refresh the Directors' knowledge and skills. The Group will also continuously update all Directors on latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure the compliance with these rules and regulations by the Directors.

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, as the code of conduct for securities transactions by the Directors. 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.

REMUNERATION COMMITTEE

The Chairman of the Remuneration Committee is Mr. Shi Xiang Shen, an executive Director and other members include Mr. He Lin Wang, Mr. Xia Jun Min and Mr. Gu Lie Feng, all being the independent non-executive Directors.

The Remuneration Committee is responsible for formulating and recommending to the Board the remuneration policy, determining the remuneration of executive Directors and senior management of the Group, and reviewing the Company's bonus structure, provident fund and other compensation-related issues. The Remuneration Committee will consult with the Chairman and/or the Chief Executive Officer on its proposals and recommendations, and also have access to professional advice if considered necessary by the Remuneration Committee. The Remuneration Committee is provided with sufficient resources enabling it to discharge its duties.

For the year ended 31st December, 2009, the Remuneration Committee held one meeting. The individual attendance records of each member are as follows:

Attendants	Number of Meetings Attended/Total	Percentage
Shi Xiang Shen	1/1	100%
He Lin Wang	1/1	100%
Xia Jun Min	1/1	100%
Gu Lie Feng	1/1	100%

For the year ended 31st December, 2009, the Remuneration Committee reviewed matters relating to remuneration for the Directors and senior management, and discussed the remuneration policy of the Group.

NOMINATION COMMITTEE AND APPOINTMENT OF DIRECTORS

Nomination Committee

The Chairman of the Nomination Committee is Mr. He Lin Wang, an independent non-executive Director, and other members include Mr. Guo Qing Ren and Mr. Shi Xiang Shen, both being the executive Directors, Mr. Xia Jun Min and Mr. Gu Lie Feng, both being the independent non-executive Directors.

The Nomination Committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of Directors and Board succession. It also develops selection procedures of candidates for nomination, reviews the structure, size and composition of the Board and assesses the independence of the independent non-executive Directors. The Nomination Committee is provided with sufficient resources enabling it to discharge its duties.

Nomination procedures include identification and acknowledgement of qualified individuals by the Nomination Committee, and review and approval of such nomination by the Board. The Nomination Committee will evaluate potential candidates by considering factors such as professional expertise, relevant experience, personal ethics and integrity.

For the year ended 31st December, 2009, the Nomination Committee held two meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings Attended/Total	Percentage
He Lin Wang	2/2	100%
Guo Qing Ren	2/2	100%
Shi Xiang Shen	2/2	100%
Xia Jun Min	2/2	100%
Gu Lie Feng	2/2	100%

For the year ended 31st December, 2009, the Nomination Committee discussed and reviewed the Board composition as well as other related matters.

Terms of Appointment and Re-election

All independent non-executive Directors are appointed for a specific term of three years. All Directors, including the executive and independent non-executive Directors, would retire from office by rotation and are subject to re-election at the following annual general meeting once every three years.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis, and other price-sensitive announcements and other financial disclosures. The management provides all relevant information to the Board enabling the Board to make an informed view of financial and other data.

The Chairman of the Audit Committee is Mr. He Lin Wang, and the other members are Mr. Xia Jun Min and Mr. Gu Lie Feng, all being the independent non-executive Directors.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditors. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports and the auditors' report present a true and fair assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Company Secretary keeps the minutes of all Audit Committee meetings. In line with the practices of the Board Meetings and other Committee meetings, draft and finalised minutes of Audit Committee meetings are circulated to all members of the Audit Committee as soon as practicable after each meeting. For the year ended 31st December, 2009, the Audit Committee held four meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings Attended/Total	Percentage
He Lin Wang	4/4	100%
Xia Jun Min	4/4	100%
Gu Lie Feng	4/4	100%

During the year ended 31st December, 2009, the Audit Committee reviewed the final and interim results of the Group, and discussed and approved financial and other reports for the year. The Audit Committee also reviewed and discussed the Group's internal audit plans and arrangements for the upcoming year.

The fee in respect of the audit service provided by the external auditors of the Company for the year ended 31st December, 2009 is as follows:

	2009 RMB'000	2008 RMB'000
Audit Service		
— SHINEWING (HK) CPA Limited	**650**	650

COMPLIANCE COMMITTEE

The Chairman of the Compliance Committee is Mr. Shi Xiang Shen, an executive Director, and other members include Mr. He Lin Wang, Mr. Gu Lie Feng and Mr. Xia Jun Min, all being the independent non-executive Directors.

The duties of the Compliance Committee include supervising the Company's effective implementation of various management measures of the Company and reviewing the Company's disclosure policies to ensure its compliance with the Listing Rules and the requirements of other regulatory authorities and making recommendations and giving opinions to the Board in this regard.

For the year ended 31st December, 2009, the Compliance Committee held one meeting. The individual attendance records of each member are as follows:

Attendants	**Number of Meetings Attended/Total**	**Percentage**
Shi Xiang Shen	1/1	100%
He Lin Wang	1/1	100%
Gu Lie Feng	1/1	100%
Xia Jun Min	1/1	100%

For the year ended 31st December, 2009, the Compliance Committee discussed and reviewed the Company's disclosure policies as well as other related matters.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The systems include a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

For the year ended 31st December, 2009, the Board has, through the Audit Committee with the assistance of the internal audit manager ("**Internal Audit Manager**"), conducted a review on the Group's internal control systems, including without limitation to financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems of the Group are effective and there is no non-compliance, impropriety, fraud or other deficiencies that suggest material deficiency in the effectiveness of internal control systems of the Group.

The Board assesses the effectiveness of the internal control systems by considering reviews conducted by the Audit Committee, senior management and internal auditors. The Internal Audit Manager follows a risk-and-control-based approach. An audit plan would be formulated in a risk-weighted manner so that priorities and appropriate audit frequency could be given to areas with higher risks. The Internal Audit Manager performs regular financial and operational reviews on the Group. Summaries of major audit findings and possible control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Manager monitors the follow-up actions agreed upon in response to the recommendations made by the Audit Committee.

DELEGATION BY THE BOARD

The Board is responsible for decision in relation to the overall strategic planning and development of the Group's business. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to the management. The Board has given clear directions as to the powers of the management, and periodically reviews all delegations to the management to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

Corporate Governance Report

All Committees, namely the Remuneration Committee, the Nomination Committee, the Audit Committee and the Compliance Committee, have their specific terms of reference clearly defining the powers and responsibilities of the respective Committees. All Committees are required by their terms of reference to report to the Board in relation to their decisions, review findings or recommendations, and, in certain specific situations, to seek the Board's approval before taking any actions.

RELATIONS WITH SHAREHOLDERS

The Group is committed to maintaining the highest level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. This commitment to fair disclosure and comprehensive and transparent reporting of the Group's activities can be reflected in many aspects.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The annual general meeting ("**AGM**") of the Company provides an excellent opportunity for the Board to meet and communicate with the shareholders. All Directors make a special effort to attend the AGM so that they may answer any questions from the shareholders of the Company.

The Chairman is also actively involved in organising the AGM and personally chairs it, as to ensure that shareholders' views are delivered to the Board. Members of the Remuneration Committee, the Nomination Committee, the Audit Committee and the Compliance Committee, also attend the AGM to answer questions that shareholders may raise. A separate resolution is proposed by the Chairman in respect of each separate issue at the AGM.

The proceedings of the AGM are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. A circular in respect of the AGM, which is circulated to all shareholders at least 45 days prior to the AGM, sets out details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the Chairman again explains the procedures for demanding and conducting a poll. The Chairman indicates (except those where a poll is required) at the meeting the level of proxies lodged on each resolution, and the balance for and against such resolution.

The Company also communicates with its shareholders through its annual and interim reports. All such reports can also be accessed via the Company's website. The Directors, Company Secretary or other appropriate members of senior management also respond to inquiries from shareholders and investors promptly.

INVESTOR RELATIONSHIPS

To strengthen its relationship with investors, the Group meets with analysts, accommodates visiting funds and investors, and participates in conferences and presentations.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Guo Qing Ren, aged 67, is the Chairman of the Board and executive Director. Mr. Guo obtained a bachelor's degree from Xinjiang Technology College with a major in Geological Metal and Non-metal Mining and Exploration in 1964. He obtained a senior economist qualification certificate issued by Ministry of Agriculture of the PRC in 1993. He has been a director of Xinjiang Tianye (Group) Limited ("**Tianye Holdings**") since 1996 and has been the chairman of Tianye Holdings since 6th June, 2007. He has been the chairman (until 30th June, 2007) and a director of Xinjiang Tianye Company Limited ("**Tianye Company**") since 1997. He has been a Director since he joined the Group in 1999. The research and development project of One-off Recycled Plastic Dripline Products undertaken by Mr. Guo was awarded the First Prize of Technology Improvement of the Eighth Agricultural Division and Shihezi City in 1999. In 2000, the water-saving irrigation pipelines project primarily developed by Mr. Guo was awarded the Innovative Technology Prize of the Autonomous Region. Mr. Guo joined the Group in 1999 and is responsible for overseeing all strategic planning of the Group as well as responsible for the overall management of the Group's operations. He is also responsible for the design and development of new products of the Group.

Mr. Shi Xiang Shen, aged 65, is an executive Director. Mr. Shi graduated from Beijing Economic Correspondence University with a major in Economic Management in 1989. He obtained a senior accountant qualification certificate issued by Ministry of Agriculture of the PRC in 1991. He had worked as the chief accountant in No. 141 Unit of No. 8 Division of Agricultural Construction of Xinjiang Production and Construction Regiment for more than 10 years until 1995. Mr. Shi had been employed as the chief accountant of Tianye Holdings and was a director of Tianye Company from 1997 to August 2005. He has become a Director since he joined the Group in 2000 and is responsible for the Group's financial management and capital operation, and assisting the Chairman in overall strategic planning and management and business development of the Group.

Mr. Li Shuang Quan, aged 45, is an executive Director and Chief Executive Officer of the Group. Mr. Li graduated from Nanjing Glass Fiber Research and Design Vocational University with a major in Silicate Technology in 1988. He obtained a senior engineer qualification certificate issued by Ministry of Agriculture of the PRC in 2001. In 1998, he was recognized as the "Sixth Session Outstanding Calibre of the Agricultural No. 8 Division". Mr. Li was also recognized as the "Tenth Session Outstanding Calibre of the Agricultural No. 8 Division" in 2003. He had worked as a manager of technology and research and development department and was later promoted to a factory director in Shihezi Plastic Factory for more than 10 years until 1996. He was a director of Tianye Company from April 2001 to June 2007 and was granted the special subsidies by the State Council of the PRC in 2004. He joined the Group in 1999 and has been a Director since 2002, a deputy general manager of the Company since 2003 and the Chief Executive Officer of the Group since May 2007. Mr. Li is responsible for the management of technology and research and development of the Group. He has extensive experience in the development, manufacture and sales of the products of the Group and the management of the Group.

Directors, Supervisors and Senior Management

Mr. Zhu Jia Ji, aged 46, is an executive Director and deputy general manager of the Group. Mr. Zhu graduated from Agricultural and Machinery School of Shihezi, Xinjiang. He obtained an engineer qualification certificate issued by Ministry of Agriculture of the PRC in 2002. He has been a deputy sales manager of the Company since he joined the Group in December 1999. He is also the Chairman of Kuitun Tiantun and Hami Tianye, both are subsidiaries of the Company. Mr. Zhu was appointed as an executive Director on 10th May, 2007 and was appointed as a director of Tianye Company on 30th June, 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. He Lin Wang, aged 68, is an independent non-executive Director. Mr. He obtained a senior engineer qualification certificate issued by Ministry of Agriculture of the PRC. He had held the position of the chief engineer of Shihezi Water Conservation Bureau (石河子市水利局) and a director of the Xinjiang Agricultural Engineering Society. Mr. He has more than 10 years of experience in agricultural engineering industry. He has been an independent non-executive Director since he joined the Group in April 2005.

Mr. Xia Jun Min, aged 39, is an independent non-executive Director. He graduated from Xinjiang Finance and Economic College majoring in Accounting in 1995 and obtained a bachelor's degree from the Central Communist Party Institution with a major in Politics and Law in 1998. He has obtained qualifications as a registered accountant and a registered assets valuer in the PRC. He is presently a deputy president of Xinjiang Fangxia Assets Valuation Company Limited, the president and the chief accountant of Xinjiang Fangxia Certified Public Accountants Company Limited. Mr. Xia has extensive experience in auditing, accounting and financial management. He has been an independent non-executive Director since he joined the Group in April 2005.

Mr. Gu Lie Feng, aged 70, is an independent non-executive Director. Mr. Gu attained university level and graduated from Water Conservancy Engineering Department of Tsinghua University in 1965. Mr. Gu obtained a senior engineer qualification certificate issued by Ministry of Agriculture of the PRC in 1991. He had been appointed as the chief commander of XPCR Water Conservation Bureau since August 1995 and was retired in August 2000. Mr. Gu has more than 20 years experience in agriculture industry. Since he joined the Group in April 2005, he has been an independent non-executive Director.

Mr. Mak King Sau, aged 35, is an independent non-executive Director. Mr. Mak has more than 10 years of experience in corporate finance and private equity fund investment industry. He was an associate director of an investment bank in Hong Kong. He had served as the chief investment officer in a Hong Kong listed company. Mr. Mak also worked for a private equity fund. He is a member of American Institute Certified Public Accountant, and graduated from Boston University with a bachelor degree in business administration in 1995 and from the University of London with a master degree in financial and management in 1997. He has been an independent non-executive Director of the Group since October 2007.

SUPERVISORS

Ms. Ni Mei Lan, aged 50, is a supervisor and the Chairman of Supervisory Committee of the Company. Ms. Ni graduated from Urumqi Vocational University with a major in Economic Management in 1995. Ms. Ni obtained an assistant economist qualification certificate issued by Ministry of Agriculture of the PRC in 2000. She joined the Group in 2001 and has been a deputy general manager of the Company since 2003 and until 10th May, 2007. Ms. Ni was appointed as a supervisor on 10th May, 2007.

Mr. He Jie, aged 64, is a supervisor of the Company. Mr. He graduated from Tianjin Light Industry College in 1968 with a major in Plastic Modeling and Processing. He obtained a senior engineer qualification as approved by the Office of Professional Technical Staff of Xinjiang Uygur Autonomous Region in 1992. He has been a supervisor since he joined the Group in April 2005.

Mr. Huang Jun Lin, aged 70, is a supervisor of the Company. Mr. Huang graduated from Xinjiang University in 1990 with a major in political theory. He is a senior administrator, and an outstanding caliber in Shihezi. He has been a supervisor since he joined the Group in April 2005.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Chow Yuk Lan, aged 35, is the financial controller, company secretary, qualified accountant and one of the authorised representatives of the Company. She is responsible for the financial reporting procedures and internal control of the Group and secretarial affairs of the Company. Ms. Chow has obtained her bachelor degree in accountancy from the Hong Kong Polytechnic University. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chow worked for an international accounting firm for six years and she has over ten years of experience in the fields of professional accounting services, taxation, company secretarial and financial management. She joined the Company in November 2008.

COMPLIANCE OFFICER

Mr. Shi Xiang Shen, is an executive Director, assumes responsibility for acting as the Group's compliance officer, including advising on and assisting the Board in implementing procedures to ensure that the Group complies with the Listing Rules and other relevant laws and regulations applicable to the Group.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Jun, aged 46, graduated from the Central Communist Party Institution with a major in Economic Management. Mr. Chen was awarded a Qualification Certificate for Engineering by the Ministry of Agriculture of the PRC in September 2005. He joined the Group in 2001 and has been a deputy general manager of the Company since October 2008.

Mr. Wang Zhenhai, aged 41, graduated from Shihezi Workers' University (石河子職工大學) with a major in Economic Management in 2003. He joined the Group in 2004 and has been a deputy general manager of the Company since 2007.

Mr. Xiong Xin Yi, aged 38, graduated from Xinjiang Finance and Economic College with a major in Economic Management and had passed the legal examinations of Xinjiang University. Mr. Xiong obtained an industrial economist qualification certificate issued by the Ministry of Personnel of the PRC in November 1997. He joined the Group in January 2003 and has been the secretary to the Board since 2005.

Mr. Shao Mao Xu, aged 51, graduated from Xinjiang Production and Construction Regiment Party Institution with a major in Economic Management. Mr. Shao was awarded a Qualification Certificate for Engineering by the Ministry of Agriculture of the PRC in September 2006. He joined the Group in March 2002 and has been a deputy general manager of the Company since June 2009.

Mr. Li He, aged 33, graduated from Ningxia University with double degree in Landscape Architecture and Administrative Management. Mr. Li was awarded a Qualification Certificate for Engineering by the Ministry of Agriculture of the PRC in September 2008. He joined the Group in March 2005 and has been a deputy general manager of the Company since October 2009.

Report of the Directors

The directors of the Company (the "**Directors**") present their annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The Group is engaged in the design, manufacturing and sales of drip films, PVC/PE pipelines and drip assemblies used in agricultural water saving irrigation system, and is also engaged in the provision of installation services of water saving irrigation system for its customers. Details of the principal activities of its subsidiaries are set out in note 29 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 41 of this annual report.

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB60,744,000 on acquiring new plants and machines. Details of the above and of other movements in the property, plant and equipment of the Group for the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders is the lower of its accumulated profits as stated in the statutory financial statements in the PRC and the financial statements prepared under Hong Kong Financial Reporting Standards (the "**HKFRSs**"). As at 31st December, 2009, the Company's reserves available for distribution to shareholders represent its accumulated profits of approximately RMB109,778,000 prepared in accordance with HKFRSs (2008: accumulated profits of approximately RMB99,505,000 prepared in accordance with HKFRSs).

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2009, sales to the largest customer and the five largest customers of the Group accounted for approximately 15% and 35% of the total turnover of the Group, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 51% and 74% respectively of the total purchase of the Group. Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS", at no time during the year did a Director, a supervisor, their associates or any shareholders of the Company ("**Shareholders**") (which to the knowledge of the Directors owned more than 5% of the issued share capital of the Company ("**Shares**")) have an interest in any of the five largest customers or suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and supervisors (the "**Supervisors**") of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Guo Qing Ren *(Chairman)*
Mr. Shi Xiang Shen
Mr. Li Shuang Quan *(Chief Executive Officer)*
Mr. Zhu Jia Ji

Independent non-executive Directors:

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

Supervisors

Ms. Ni Mei Lan
Mr. He Jie
Mr. Huang Jun Lin

Pursuant to the articles of association of the Company, all Directors and Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of term.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a fixed term of three years or until the expiry of the current session of the board of Directors subject to renewal upon approval by the Shareholders for one or more consecutive terms of three years.

In accordance with the provisions of the articles of association of the Company, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the PRC Company Law, the term of office of the Supervisors shall also be three years and renewable upon re-appointment or re-election. During the year, Mr. He Jie and Mr. Huang Jun Lin, being the Supervisors, were re-elected upon expiry of their terms at the annual general meeting held on 8th May, 2009, and save as disclosed herein, none of the Directors' and Supervisors' terms of office expires and all of the Directors and Supervisors continue in office.

Other than as disclosed above, none of the Directors and Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that the Company received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and the Company considered that the independent non-executive Directors to be independent.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2009, the interests of the Directors, Supervisors (as if the requirements applicable to the Directors under the Securities and Futures Ordinance (the "**SFO**") had applied to the Supervisors) or chief executives of the Company, including their respective associates, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") of the Listing Rules, were as follows:

Name of Directors/ Supervisors	**Name of companies/ associated corporations**	**Capacity**	**Number and class of securities** (Note 1)	**Approximate percentage of shareholding**
Guo Qing Ren *(Director)*	Xinjiang Tianye Company Limited ("Tianye Company") (Note 2)	Beneficial owner	46,080 domestic Shares (L)	0.011%
Shi Xiang Shen *(Director)*	Tianye Company	Beneficial owner	34,864 domestic Shares (L)	0.008%
Huang Jun Lin *(Supervisor)*	Tianye Company	Beneficial owner	53,248 domestic Shares (L)	0.012%

Note:

1. The letter "L" represents the Directors' and Supervisors' long positions in such securities.

2. Tianye Company is a company established in the PRC with limited liability on 9th June, 1997, and 248,832,000 A shares of which are listed in the Shanghai Stock Exchange.

Other than as disclosed above, none of the Directors, Supervisors and chief executives of the Company nor their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporation as at 31st December, 2009.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executives of the Company, including their respective associates, to acquire benefits by means of acquisition of Shares in, or debt securities (including debentures) of, the Company or any other related corporations.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS", no contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

(A) Substantial Shareholders

As at 31st December, 2009, 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 the Directors, Supervisors or chief executives of the Company) had notified the Company of relevant interests and short positions in the Shares or underlying Shares of the Company:

Name	**Type/ nature of interest**	**Capacity**	**Number of the domestic Shares of the Company held** (Note 1)	**Approximate percentage of the total issued share capital of the Company** (Note 2)
Tianye Company	Corporate	Beneficial owner	202,164,995 (L)	38.91% (Note 3)
Xinjiang Tianye (Group) Limited ("Tianye Holdings") (Note 4)	Corporate	Interest in controlled corporation	202,164,995 (L)	38.91%
Guo Shu Qing (Note 5)	Personal	Beneficial owner	61,386,798 (L)	11.82%
Wang Xiao Xian (Note 6)	Personal	Beneficial owner	50,335,128 (L)	9.69%

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 Share 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. The 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.

5. The domestic Shares held by Guo Shu Qing were equivalent to approximately 19.36% of the total domestic Shares in issue.

6. The domestic Shares were held by Wang Xiao Xian were equivalent to approximately 15.87% of the total domestic Shares in issue.

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

As at 31st December, 2009, save for the persons or entities disclosed in sub-section (A) above, the following persons or entities (other than the 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	Type of interest	Capacity	Number of H Shares of the Company held (Note 1)	Approximate percentage of the total issued share capital of the Company (Note 2)
Julius Baer Multipartner SICAV, Luxembourg	Corporate	Investment manager	16,072,000 (L)	3.09% (Note 3)

Note:

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 Julius Baer Multipartner SICAV, Luxembourg were equivalent to approximately 7.94% of the total H Shares in issue.

Save as disclosed above, as at 31st December, 2009, the Company was not aware of any persons (other than the Directors, the Supervisors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company.

CONNECTED AND RELATED PARTY TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditors, and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Details of the connected transactions/continuing connected transactions during the year are included in note 38 to the consolidated financial statements. Save as the above, the Group also entered into following connected transactions agreements:

- master purchase agreement with Tianye Holdings (a substantial Shareholder) dated 16th March, 2009, pursuant to which the Group agreed to purchase spare parts and raw materials, including but not limited to diamond-shaped wheels, packaging films and PVC resins, from Tianye Holdings and/or its subsidiaries (including Tianye Company and/or its subsidiaries and/or its controlled corporations) from time to time for a term from 8th May, 2009 to 31st December, 2011, and the price for those spare parts and raw materials will be agreed from time to time between the parties concerned by reference to the prevailing market prices at the relevant time;

- master sale agreement with Tianye Holdings (a substantial Shareholder) on 16th March, 2009, pursuant to which Tianye Holdings and/or its subsidiaries (including Tianye Company and/or its subsidiaries and/or its controlled corporations) agreed to purchase products manufactured by the Group, including but not limited to drip films, PVC/PE pipelines and drip assemblies, from time to time for a term from 8th May, 2009 to 31st December, 2011, and the price for those products manufactured by the Group will be agreed from time to time between the parties concerned by reference to the prevailing market price at the relevant time;

- leases dated 25th April, 2008 in respect of the office premises located at 3rd Floor, No. 36 Bei San Dong Road, Economic and Technological Development Zone, Shihezi, Xinjiang (新疆石河子經濟技術開發區北三東路36號第三層) and the factory premises located at No. 36 Bei San Dong Road, Economic and Technological Development Zone, Shihezi, Xinjiang (新疆石河子經濟技術開發區北三東路36號) and No. 94-22 Bei Yi Road, Economic and Technological Development Zone, Shihezi, Xinjiang (新疆石河子經濟技術開發區北一路94–22號) with Tianye Company (a substantial Shareholder), for a term from 1st July, 2008 to 30th June, 2011 at the rent of RMB1,455,820 per annum (including property management fee);

- lease dated 25th April, 2008 in respect of the office premises located at 1st Floor of No. 36 Bei San Dong Road, Economic and Technological Development Zone, Shihezi, Xinjiang (新疆石河子經濟技術開發區北三東路36號第一層) with Tianye Company (a substantial Shareholder), for a term from 1st July, 2008 to 30th June, 2011 at the rent of RMB3,500 per annum (including property management fee);

- lease dated 25th April, 2008 in respect of the office premises located at No. 94-2 Gong San Xiao Qu, Bei Yi Road, Shihezi, Xinjiang (新疆石河子北一路工三社區94–2號) with Tianye Company (a substantial Shareholder), for a term from 1st July, 2008 to 30th June, 2011 at the rent of RMB4,320 per annum (including property management fee); and

- a sale and purchase agreement with the minority shareholders of 甘肅天業節水器材有限公司 ("Gansu Tianye"), a non-wholly owned subsidiary of the Company, dated 3rd November, 2009. Pursuant to it, 新疆石河子中發化工有限責任公司 ("Zhongfa Chemical"), Gao Jin Ming, Wang Hong Tao and Chen Wei Zhong 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 approximately RMB1,204,000 in which an amount totalling approximately RMB60,000 had been set-off with the outstanding receivables from certain non-controlling interests. Zhongfa Chemical is a subsidiary of Tianye Company, the Company's immediate holding company, which is considered as a related party of the Company.

The above-mentioned master purchase agreement and their proposed annual caps were approved by an ordinary resolution of a general meeting of the Company held on 8th May, 2009. The details of these transactions were disclosed in the introduction document dated 30th August, 2007 and the announcements dated 25th April, 2008, 16th March, 2009, 3rd November, 2009 and 23rd December, 2009, and the circular dated 20th March, 2009.

In respect of each of the related party transactions as listed in note 38, to the consolidated financial statements, which are also connected transactions, and the transaction contemplated under each of the above connected transactions agreements, the Company has complied with the relevant requirements under Chapter 14A of the Listing Rules.

Note: The term "controlled corporations" of Tianye Company mentioned above under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS" of this report refers to those corporations owned by Tianye Company as to 30% or more but less than 50% of their equity interests.

DIRECTORS' AND SUPERVISORS' INTERESTS IN A 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 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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and Supervisors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 14 to 22 of this annual report.

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 would oblige the Company to offer new Shares on a pro-rata basis to 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

Report of the Directors

POST BALANCE SHEET EVENT

The Group had no significant event occurring after the balance sheet date and up to the date of this annual report.

AUDITORS

The consolidated financial statements for the year have been audited by SHINEWING (HK) CPA Limited. A resolution will be submitted in the forthcoming annual general meeting to re-appoint the auditors, SHINEWING (HK) CPA Limited as the auditors of the Group.

By Order of the Board

Mr. Guo Qing Ren
Chairman

Xinjiang, PRC
12th April, 2010

Report of the Supervisory Committee

To: All Shareholders

During the year ended 31st December, 2009, the Supervisory Committee (the "**Supervisory Committee**" or the "**Supervisors**") of the Xinjiang Tianye Water Saving Irrigation System Company Limited (the "**Company**"), in compliance with the provisions of the Company Law of the People's Republic of China (the "**PRC**"), the relevant laws and regulations of Hong Kong and the articles of association of the Company (the "**Articles of Association**"), has conducted its work adhering to the fiduciary principle, and has taken up an active role to work faithfully and diligently to safeguard the interests of the shareholders (the "**Shareholders**") and the benefits of the staff of the Company.

In 2009, the Supervisors reviewed the operations of the Company and major issues, attended the meetings of the board (the "**Board**") of directors (the "**Directors**") of the Company, provided reasonable recommendation and advice to the Board and effectively monitored the members of the Board and senior management of the Company in performing their duties.

The Supervisory Committee is of the view that:

1. the Company's operation in the year 2009 complied with the relevant laws and regulations of the state and local governments of the PRC and the provisions of the Articles of Association;

2. the Directors and managers of the Company performed their duties in strict compliance of the relevant rules and regulations for the development of the Company. They carried out their work diligently without violating any laws and regulations or the Articles of Association, and had not conducted any activities which were against the interests of the Company, and acted faithfully in exercising their authorities;

3. the connected transactions of the Company, which have fully complied with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, were fair and reasonable. We have not discovered any act that prejudiced the interests of the Company;

4. The Supervisory Committee's role in monitoring the management of the Company was strengthened by attending Board meetings, participating in the decision-making process of the management and reviewing regularly the financial statements and accounts of the Company. The Supervisory Committee believes that the financial management of the Company was performed in strict accordance with the relevant accounting principles, that the financial statements and accounts were prepared timely and properly, and that no improper disclosures were identified; and

Report of the Supervisory Committee

5. The Supervisory Committee has verified the financial information of the Group such as the financial statements and reports of results to be submitted to the forthcoming general meeting of Shareholders by the Board, and is satisfied with the Report of the Directors and the audited financial statements of the Group. The Supervisory Committee believes that the audited financial statements for the year ended 31st December, 2009 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

The Supervisory Committee is of the view that although the year 2009 financial result of the Group was adversely affected by the financial crisis, along with the recovery of the PRC economy and the government's continuous efforts to promote farmland water conservancy construction, the Supervisory Committee still remain optimistic about the development prospects of the Group and would like to extend its appreciation to all Shareholders, the Directors and members of staff of the Company for their strong support to the Supervisory Committee's work.

By order of the Supervisory Committee

Ni Mei Lan
Chairman

Xinjiang, the PRC
12th April, 2010

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF
XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED
(incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Xinjiang Tianye Water Saving Irrigation System Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 90, which comprise the consolidated statement of financial position as at 31st December, 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong
12th April, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	NOTES	2009 RMB'000	2008 RMB'000
Turnover	7	**571,028**	664,248
Cost of sales		**(519,431)**	(611,519)
Gross profit		**51,597**	52,729
Other operating income	9	**5,353**	4,784
Distribution costs		**(24,168)**	(22,294)
Administrative expenses		**(16,322)**	(16,916)
Other operating expenses		**(1,679)**	(1,203)
Profit from operations		**14,781**	17,100
Finance costs	10	**(7,601)**	(10,568)
Profit before taxation	11	**7,180**	6,532
Taxation	13	**(2,362)**	(423)
Profit for the year and total comprehensive income for the year		**4,818**	6,109
Profit for the year and total comprehensive income attributable to:			
Owners of the Company		**6,479**	6,694
Minority interests		**(1,661)**	(585)
		4,818	6,109
Earnings per share — basic and diluted	15	**RMB1.2 cents**	RMB 1.2 cents

Consolidated Statement of Financial Position

As at 31st December, 2009

	NOTES	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	16	**246,033**	214,024
Prepaid lease payments	17	**13,315**	13,200
Deposit paid for acquisition of property, plant and equipment	18	**107**	5,900
Goodwill	19	**98**	98
		259,553	233,222
Current assets			
Inventories	20	**443,796**	400,038
Trade and other receivables	21	**220,067**	214,207
Bills receivable	22	**69**	7,340
Prepaid lease payments	17	**329**	316
Tax refundable		**858**	679
Deposit in a non-banking financial institution	23	**2,216**	—
Bank balances and cash	24	**43,894**	147,822
		711,229	770,402
Current liabilities			
Trade and other payables	25	**168,056**	103,700
Bills payable	22	**—**	30,000
Tax payables		**1,054**	237
Short-term bank borrowings	26	**117,000**	189,000
Derivative financial liabilities	27	**8**	—
		286,118	322,937
Net current assets		**425,111**	447,465
Total assets less current liabilities		**684,664**	680,687

Consolidated Statement of Financial Position

As at 31st December, 2009

	NOTES	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	31	**519,522**	519,522
Reserves	32	**146,010**	139,394
Equity attributable to owners of the Company		**665,532**	658,916
Minority interests		**18,532**	21,771
Total equity		**684,064**	680,687
Non-current liability			
Deferred income	33	**600**	—
		684,664	680,687

The consolidated financial statements on pages 41 to 90 were approved and authorised for issue by the Board of Directors on 12th April, 2010 and are signed on its behalf by:

Mr. Guo Qing Ren
Director

Mr. Shi Xiang Shen
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000	Minority interests RMB'000	Total RMB'000
At 1st January, 2008	519,522	10,296	21,875	—	119,232	670,925	22,891	693,816
Profit for the year and total comprehensive income and expenses for the year	—	—	—	—	6,694	6,694	(585)	6,109
Dividends paid to owners of the Company (Note 14)	—	—	—	—	(18,703)	(18,703)	—	(18,703)
Dividends paid to a minority shareholder of a subsidiary	—	—	—	—	—	—	(535)	(535)
Transfer	—	—	1,167	—	(1,167)	—	—	—
At 31st December, 2008 and 1st January, 2009	519,522	10,296	23,042	—	106,056	658,916	21,771	680,687
Profit for the year and total comprehensive income and expenses for the year	—	—	—	—	6,479	6,479	(1,661)	4,818
Acquisition of additional interest in a subsidiary	—	—	—	137	—	137	(1,341)	(1,204)
Deregistration of subsidiaries	—	—	—	—	—	—	(6,237)	(6,237)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	6,000	6,000
Transfer	—	—	1,252	—	(1,252)	—	—	—
At 31st December, 2009	519,522	10,296	24,294	137	111,283	665,532	18,532	684,064

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	Notes	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**7,180**	6,532
Adjustments for:			
Amortisation of prepaid lease payments		**325**	179
Bank interest income		**(513)**	(1,506)
Depreciation of property, plant and equipment		**28,273**	27,620
Impairment loss recognised on trade receivables		**229**	1,097
Interest expenses		**7,601**	10,568
Loss on deregistration of subsidiaries	34	**363**	—
Loss on disposal of property, plant and equipment		**380**	—
Net loss on changes in fair value of derivative financial instruments		**8**	—
Reversal of impairment for inventories		**(564)**	(1,695)
Waiver of long outstanding other payables		**(688)**	(1,193)
Write-down for inventories		**—**	1,899
Operating cash flow before movements in working capital		**42,594**	43,501
(Increase) decrease in inventories		**(43,194)**	26,533
(Increase) decrease in trade and other receivables		**(12,749)**	58,398
Decrease (increase) in bills receivable		**7,271**	(2,990)
Increase in deposit in a non-banking financial institution		**(2,216)**	—
Increase (decrease) in trade and other payables		**65,044**	(40,207)
(Decrease) increase in bills payable		**(30,000)**	30,000
Cash generated from operations		**26,750**	115,235
Tax refunded		**—**	3,000
Tax paid		**(1,724)**	(1,844)
NET CASH FROM OPERATING ACTIVITIES		**25,026**	116,391

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	Notes	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(60,744)**	(45,164)
Acquisition of additional equity interest in a subsidiary	38(c)	**(1,144)**	—
Additions of prepaid lease payments		**(453)**	(5,488)
Decrease (increase) in deposit paid for acquisition for property, plant and equipment		**5,793**	(5,900)
Interest received		**513**	1,506
Proceeds on disposal of property, plant and equipment		**82**	3,021
NET CASH USED IN INVESTING ACTIVITIES		**(55,953)**	(52,025)
FINANCING ACTIVITIES			
Repayment of bank loans		**(259,000)**	(240,000)
Interest paid		**(7,601)**	(12,700)
Bank loans raised		**187,000**	264,000
Capital contributions from minority shareholders of subsidiaries		**6,000**	—
Receipt of government grants		**600**	—
Dividends paid to owners of the Company		**—**	(18,703)
Dividends paid to a minority shareholder of a subsidiary		**—**	(535)
NET CASH USED IN FINANCING ACTIVITIES		**(73,001)**	(7,938)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(103,928)**	56,428
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**147,822**	91,394
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER represented by bank balances and cash		**43,894**	147,822

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. Details of its subsidiaries are set out in Note 29.

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 addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporation Information" of the Company's annual report.

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.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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 Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1st July, 2009.

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010 as appropriate.

3 Effective for annual periods beginning on or after 1st January, 2010.

4 Effective for annual periods beginning on or after 1st February, 2010.

5 Effective for annual periods beginning on or after 1st January, 2011.

6 Effective for annual periods beginning on or after 1st July, 2010.

7 Effective for annual periods beginning on or after 1st January, 2013.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs (2009)*, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment loss and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. Impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Installation service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary difference associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except which it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any recognised impairment loss. Costs include all construction costs and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended uses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments, which represent up-font payments to acquire leasehold land interest, are stated at cost and amortised over the period of the lease on a straight-line basis.

Impairment losses on tangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as an income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivable. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivable, bank balances and cash and deposits in non-banking financial institution) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of one year as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis other than those financial liability classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities including trade and other payables, bills payable and short-term bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment for trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. During the year ended 31st December, 2009, the Group recognised impairment loss of approximately RMB229,000 (2008: RMB1,097,000).

Allowance for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete and slow-moving items. During the year ended 31st December, 2009, the Group did not recognise any impairment loss (2008: RMB1,899,000) in respect of raw materials and finished goods to write-down the inventories to their net realisable values.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Taxation

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Value-added tax

As detailed in Note 21, the PRC tax authority had initiated tax inquiries in respect of the Company's value-added tax ("VAT") during the year. The Directors are of the opinion, together with the tax advice from the Company's tax advisors, that the outcome of a successful claim on the excessive amount of VAT transfer out is probable and therefore, a VAT recoverable had been recognised in the consolidated statement of financial position as at 31 December 2009.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Loans and receivable (including bank balances and cash)	**217,601**	340,302
Financial liabilities		
Other financial liabilities at amortised cost	**247,595**	302,924
Derivative financial liabilities	**8**	—

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivable, trade and other payables, bills payable, short-term bank borrowings, derivative financial liabilities, deposits in non-banking financial institution and bank balances and cash. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. The management considers the Group is not exposed to significant foreign currency risk as majority of its operations and transactions are in the PRC with their functional currency of RMB.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate bank borrowings (see Note 26 for details of these bank borrowings). The Group's exposure to interest rate risk is minimal as most of the bank borrowings are at fixed interest rate.

The Group is also exposed to cash flow interest rate risk in relation to its bank balances and variable-rate bank borrowings (see Note 26 for details of these bank borrowings).

The Group currently does not have any interest rate hedging policy.

The Group's cash flow interest rate risk is mainly sensitive to the fluctuation of rate of the People's Bank of China arising from the Group's RMB borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rate of non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point (2008: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss (2008: profit) for the year ended 31st December, 2009 would increase/decrease by approximately RMB133,000 (2008: decrease/increase by RMB8,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowing.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counter parties failure to perform their obligations as at 31st December, 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

As at 31st December, 2009, the Group has certain concentration of credit risk as 17% (2008: 31%) of the total trade and bills receivables were due from the Group's largest trade debtor.

The Group has significant concentration of credit risk arising from deposit in a non-banking financial institution as at 31st December, 2009.

With respect to credit risk arising from the other financial assets of the Group which comprise of bank balances and deposit in a non-banking financial institution, the Group's exposure to credit risk arising from default of the counter parties is limited as the counter parties have good credit standing and the Group does not expect to incur significant loss for uncollected advances/deposits from these entities.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of short-term bank borrowings and ensures compliance with loan covenants. As at 31st December, 2008 and 2009, the other financial liabilities including trade and other payables, bills payable and short-term bank borrowings of the Group are all due for settlement contractually within one year.

5. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and

- the fair value of derivative instruments are calculated using quoted prices.

Effective 1st January, 2009, the Group adopted the amendments to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31st December, 2009, the financial instrument measured at fair value of the Group is the commodity futures contracts entered into by the Group, which is classified as derivative financial liabilities and measured by the quoted price, and included in level 1.

Other than set out in the consolidated financial statements, the directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the short-term bank borrowings as disclosed in Note 26, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 31, reserves and accumulated profits as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as raise of new borrowings or repayment of existing borrowings. The Group's approach to capital management remains unchanged throughout both years. The Group has no covenant with banks for the banking facilities granted.

7. 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 **RMB'000**	2008 RMB'000
Drip films and drip assemblies	**368,541**	442,218
PVC/PE pipelines	**202,487**	219,998
Provision of installation service	**—**	2,032
	571,028	664,248

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.

8. BUSINESS AND GEOGRAPHICAL SEGMENT

The Group has adopted HKFRS 8 Operating Segments with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, segment information reported externally was regarded as single business segment and geographical segment. The chief executive officer, being the chief operating decision maker of the Group, regularly reviews revenue analysis by business operations, including the design, manufacture, installation and sale of irrigation system and equipment. However, other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective business operations. The chief executive officer reviews the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with primary reportable segments determined in accordance with HKAS 14. Nor the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

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.

Information about major customers

The Group's customer base includes one (2008: Nil) customer with whom transactions have exceeded 10% of the Group's revenues. In 2009, revenues from this customer amounted to approximately RMB85,420,000 (2008: RMB52,306,000).

9. OTHER OPERATING INCOME

	2009 **RMB'000**	2008 RMB'000
Gain from futures contracts transactions	**1,576**	—
Government grants (Note 33)	**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	**517**	390
	5,353	4,784

10. FINANCE COSTS

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

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.

11. PROFIT BEFORE TAXATION

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

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES

(a) Emoluments of directors and supervisors

	2009 RMB'000	2008 RMB'000
Directors and supervisors		
— fee	**143**	144
— salaries and other benefits	**501**	596
— retirement benefit scheme contributions	**51**	156
Total emoluments	**695**	896

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES (continued)

(a) Emoluments of directors and supervisors (continued)

Details of emoluments of directors and supervisors for the year are analysed as follows:

	2009 RMB'000	2008 RMB'000
Name of executive directors:		
Mr. Guo Qing Ren (Note 1)	–	–
Mr. Shi Xiang Shen (Note 2)	–	100
Mr. Li Shuang Quan (Note 3)	223	272
Mr. Zhu Jia Ji (Note 4)	194	243
	417	615
Name of independent non-executive directors:		
Mr. He Lin Wang (Note 5)	30	30
Mr. Xia Jun Min (Note 5)	30	30
Mr. Gu Lie Feng (Note 5)	30	30
Mr. Mak King Sau (Note 5)	53	54
	143	144
Name of supervisors:		
Mr. He Jie (Note 6)	30	30
Mr. Huang Jun Lin (Note 6)	30	30
Ms. Ni Mei Lam (Note 7)	75	77
	135	137
Total	695	896

Notes:

1. The salary and retirement benefit of Mr. Guo Qing Ren were paid by Tianye Company. The Group was not required to reimburse the salary and retirement benefit paid by Tianye Company.

2. Mr. Shi Xiang Shen has reemployed by Tianye Holdings and he has obtained his salary and entitlement of retirement benefit from Tianye Holdings. Therefore, Mr. Shi does not entitle to any retirement benefit of the Group and the Group was not required to reimburse the salary and retirement benefit paid by Tianye Company.

3. The amount included retirement benefit scheme contributions for the year ended 31st December, 2009 amounted to approximately RMB18,000 (2008: RMB67,000).

12. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND EMPLOYEES (continued)

(a) Emoluments of directors and supervisors (continued)

Notes: (continued)

4. The amount included retirement benefit scheme contributions for the year ended 31st December, 2009 amounted to approximately RMB18,000 (2008: RMB67,000).

5. The independent non-executive directors entitle their respective retirement benefits from the respective organisations or companies which they are serving. Therefore, they do not entitle to any retirement benefits of the Group.

6. Mr. He Jie and Mr. Huang Jun Lin are the independent supervisors of the Group and they received retirement benefits from their respective organisation or companies which they are serving. Therefore, they do not entitle to any retirement benefits of the Group.

7. The amount included retirement benefit scheme contributions for the year ended 31st December, 2009 amounted to approximately RMB15,000 (2008: RMB22,000).

None of the directors or supervisors waived any emoluments during both years.

(b) Employee's emoluments

Of the five individuals with the highest emoluments in the Group, there are two directors for the year ended 31st December, 2009 and three directors and one supervisor for the year ended 31st December, 2008 whose emoluments are included in Note 12(a). The emoluments of the remaining three (2008: one) individuals were as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**858**	539
Retirement benefit scheme contributions	**46**	11
	904	550

Their emoluments were within the following bands:

	Number of individuals **2009**	 2008
Nil to RMB882,000 (equivalent to Nil to HK$1,000,000)	**3**	1

During both years, no emoluments were paid by the Group to the five highest paid individuals, directors and supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

During the two years ended 31st December, 2009, pursuant to the relevant laws and regulations in the PRC, the Company and its subsidiaries were subject to PRC Enterprise Income Tax ("EIT") of 25%. Pursuant to "Notice of Issue on Certain Incentives Policy on the Development of Western China" Cai Shui [2001] No. 202 ("Notice No. 202") (財稅[2001] 202號 《關於西部大開發稅收優惠政策問題的通知》), for an entity operated in the western part of the PRC which is mainly engaged in the business prescribed in industries currently encouraged to be developed by the State, Technical Catalog of Products (2000 Revision) (當前國家重點鼓勵發展的產業、產品的技術目錄 (2000年修訂)) and that such business contributes to over 70% of its operating income (the "Prescribed Business"), such entity is entitled to specific tax relief. Certain entities comprising the Group satisfied these requirements and, on the assumptions that they will continue to meet these requirements in the relevant periods, these entities were entitled to certain tax relief as follows:

Name of entity	Notes	2009	2008
The Company	(i)	10%	Exempted
石河子天業物資回收有限責任公司 ("Tianye Recycling")		25%	25%
甘肅省張掖市天業節水器材有限公司 ("Gansu Tianye")	(ii)	15%	15%
石河子開發區天業節水工程安裝有限責任公司 ("Tianye Installation")		25%	25%
新疆阿拉爾天農節水灌溉有限責任公司 ("Alaer Tiannong")	(iii)	15%	15%
哈密天業紅星節水灌溉有限責任公司 ("Hami Tianye")	(iv)	15%	15%
肇慶天業塑膠製品有限公司 ("Zhaoqing Tianye")		25%	25%
奎屯天屯節水有限責任公司 ("Kuitun Tiantun")		25%	25%
哈密惠民回收有限責任公司 ("Hami Huimin")		25%	25%
新疆天瑞節水器材有限公司 ("Tianrui")		25%	25%
北京天業潤華節水灌溉技術有限公司 ("Beijing Tianye")		25%	25%
阿克蘇天業節水有限公司 ("Akesu Tianye")		25%	25%
石河子市天誠節水器材有限公司 ("Shihezi Tianchen")		25%	N/A

Notes:

(i) Pursuant to "Notice of EIT on Certain Incentives Policy", Cai Shui Zi [1994] No. 1 (財稅字[1994]1號《關於企業所得稅若干優惠政策的通知》), issued by the Ministry of Finance (財政部) and the State Administration of Taxation (國家稅務總司), "EIT Exemption Management Method of State Administration of Taxation of Xinjiang Uygur Autonomous Region", Xin Guo Shui Fa [1999] No. 120 (新國稅發[1999]120號《新疆維吾爾自治區國家稅務局企業所得稅減免稅管理辦法》), "Approval of Exemption from EIT regarding Xinjiang Shihezi Tianye Water Saving Equipment Development Company Limited", Xin Guo Shui Ban [2001] No. 77 (新國稅辦[2001]77號《關於新疆石河子天業節水器具開發有限公司免徵企業所得稅的批覆》), issued by the State Administration of Taxation of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國家稅務局), Notice No. 202, "Notice of Adjustment of Level of Authorities in Approval of EIT Exemption and Related Issues", Xin Guo Shui Han [2003] No. 134 (新國稅函[2003]134號《關於調整企業所得稅減免稅審批權限及有關問題的通知》), issued by the State Administration of Taxation of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區國家稅務局) and "Approval of Exemption from EIT regarding Xinjiang Tianye Water Saving Irrigation System Company Limited", Shi Guo Shui Ban [2004] No. 118 (石國稅辦[2004]118號《關於新疆天業節水灌溉股份有限公司減徵企業所得稅的批覆), issued by the State Administration of Taxation of Shihezi (石河子國家稅務局), the Company was granted a reduced EIT tax rate of 15% for the seven years ending 31st December, 2010;

13. TAXATION (continued)

Notes: (continued)

Pursuant to "Approval Notice of Exemption Notice from EIT regarding Xinjiang Tianye Water Saving Irrigation System Company Limited", Kai Guo Shui Ban [2006] No. 72 (開國稅辦[2006]72號《關於新疆天業節水灌溉股份有限公司減免企業所得稅的通知》), issued by the State Administration of Taxation of Shihezi Economic and Technology Development Zone, Shuhezi (石河子經濟技術開發區國家稅務局), the Company is exempted from EIT for the two years ended 31st December, 2008 and was granted a 50% reduction in EIT for the period from 1st January, 2009 to 31st December, 2011;

Pursuant to "Approval Notice of the State Council Concerning the Implementation of Transitional Preferential policies for the Enterprise Income Tax", Gan Qu Kuo Shui Fi Zi [2007] No. 039 (國發[2007]39號)《國務院關於實施企業所得稅過渡優惠政策的通知》and "Approval Notice of the Ministry of Finance and the State Administration of Taxation Concerning the Implementation of Transitional Preferential policies for the Enterprise Income Tax", Cai Shui [2008] No. 21; Xin Guo Shui Ban [2008] No. 218 (財稅[2008]21號; 新國稅辦[2008]218號轉發《財政部國家稅務總局關於貫徹落實國務院關於實施企業所得稅過渡優惠政策有關問題通知》), the Company should be qualified with a reduced EIT tax rate of 10% for the year ended 31st December, 2009, 11% for the year ended 31st December, 2010 and 12% for the year ended 31st December, 2011.

(ii) Pursuant to Notice No. 202 and Approval Application Document [2002] No. 44 issued by the State Administration of Taxation of Gansu Province (甘肅省國家稅務局[2002]44號批文), Gansu Tianye was granted a reduced EIT tax rate of 15% for the period from 1st January, 2002 to 31st December, 2010;

Pursuant to "Approval Notice of the State Council Concerning the Implementation of Transitional Preferential policies for the Enterprise Income Tax (Gan Qu Kuo Shui Fi Zi [2007] No. 039 （國發[2007]39號）《國務院關於實施企業所得稅過渡優惠政策的通知》, Gansu Tianye should be qualified as the Foreign Investment Enterprise with a reduced EIT tax rate at 15% on the basis that it generates income from encouraged project in accordance with Notice 202.

(iii) Pursuant to "Approval Application Document [2008] No. 76 issued by the State Administration of Taxation of the Alaer Region (阿拉爾國稅辦[2008]76號批文) issued on 9th May, 2008. Alaer Tiannong was granted a reduced EIT tax rate of 15% from 1st January, 2008 to 31st December, 2010.

(iv) Pursuant to "Approval of EIT Exemption of State Administration of Taxation of Hami Region to Hami Tianye Hongxing Water Saving Irrigation Company Limited", Ha Guo Shui Ban [2007] No. 527 (哈國稅辦[2007]527號) 《哈密地區國家稅務局關於減征哈密天業紅星節水灌溉有限責任公司減征企業所得稅的批覆》issued by State Administration of Taxation of Hami Region (哈密地區國家稅務局) on 14th December, 2007, Hami Tianye was granted a reduced EIT tax rate of 15% for the period from 1st January, 2008 to 31st December, 2010.

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 as shown above.

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:

	2009 RMB'000	2008 RMB'000
Charge for the year	**2,342**	289
Underprovision of tax in previous years	**20**	134
	2,362	423

13. TAXATION (continued)

The charge for the years can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000
Profit before taxation	**7,180**	6,532
Tax at the statutory EIT rate of 25% (2008: 25%)	**1,795**	1,633
Tax effect on income not taxable for tax purposes	**(215)**	(422)
Tax effect on expenses not deductible for tax purposes	**234**	209
Tax effect on tax losses not recognised	**1,697**	1,747
Effect of tax exemption and reduction granted to the Group	**(1,169)**	(2,878)
Underprovision of tax in previous years	**20**	134
Tax charge for the year	**2,362**	423

At the end of the reporting period, the Group had unrecognised tax losses of approximately RMB13,776,000 (2008: RMB6,988,000) available to offset against future profit. No deferred tax asset has been recognised in respect of the unrecognised tax losses due to the unpredictability of future profit streams. Such unrecognised tax losses will be carried forward for five years from respective dates of origination.

14. 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.

15. 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.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
COST						
At 1st January, 2008	70,244	19,719	221,836	2,872	2,127	316,798
Additions	38,051	16	6,672	402	2,155	47,296
Disposals	—	(11)	(6,774)	—	(4)	(6,789)
Transfer	(40,634)	8,996	30,327	—	1,311	—
At 31st December, 2008 and 1st January, 2009	67,661	28,720	252,061	3,274	5,589	357,305
Additions	50,967	3,734	5,353	573	117	60,744
Disposals	—	(369)	(805)	(89)	(14)	(1,277)
Transfer	(56,510)	39,721	15,110	—	1,679	—
At 31st December, 2009	62,118	71,806	271,719	3,758	7,371	416,772
ACCUMULATED DEPRECIATION						
At 1st January, 2008	—	3,579	113,318	2,108	424	119,429
Provided for the year	—	853	26,347	146	274	27,620
Elimination on disposals for the year	—	(2)	(3,766)	—	—	(3,768)
At 31st December, 2008 and 1st January, 2009	—	4,430	135,899	2,254	698	143,281
Provided for the year	—	1,507	26,036	273	457	28,273
Elimination on disposals for the year	—	(84)	(637)	(87)	(7)	(815)
At 31st December, 2009	—	5,853	161,298	2,440	1,148	170,739
NET CARRYING VALUES						
At 31st December, 2009	62,118	65,953	110,421	1,318	6,223	246,033
At 31st December, 2008	67,661	24,290	116,162	1,020	4,891	214,024

The following annual rates are used for the depreciation of property, plant and equipment on a straight-line basis after considering their respective useful lives:

Buildings	20 to 40 years
Plant and machinery	8 to 14 years
Motor vehicles	6 years
Furniture, fixtures and equipment	5 years

The buildings of the Group are situated in the PRC under medium-term leases.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The construction in progress of the Group represents buildings, plant and machinery under construction which are situated in the PRC. At 31st December, 2009, no interest expense (2008: RMB2,132,000) was capitalised in construction in progress.

17. PREPAID LEASE PAYMENTS

	RMB'000
COST	
At 1st January, 2008	8,452
Additions	5,488
At 31st December, 2008 and 1st January, 2009	13,940
Addition	453
At 31st December, 2009	14,393
ACCUMULATED AMORTISATION	
At 1st January, 2008	245
Provided for the year	179
At 31st December, 2008 and 1st January, 2009	424
Provided for the year	325
At 31st December, 2009	749
NET CARRYING AMOUNTS	
At 31st December, 2009	13,644
At 31st December, 2008	13,516

The Group's prepaid lease payments comprise of medium-term lease land use rights in the PRC and are amortised over the terms of the respective land use rights on a straight-line basis.

17. PREPAID LEASE PAYMENTS (continued)

Analysed for reporting purposes as:

	2009 RMB'000	2008 RMB'000
Current assets	329	316
Non-current assets	13,315	13,200
	13,644	13,516

At 31st December, 2008, legal title to land use rights with carrying amounts of RMB5,488,000 had not been granted by the relevant government authorities. The land use rights certificate had been issued by the relevant government authorities during the year ended 31st December, 2009.

18. DEPOSIT PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposit was paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities and machineries that are under construction.

19. GOODWILL

	RMB'000
COST	
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	98

The Group tests goodwill annually for impairment, or any time if there are indications that goodwill might be impaired.

20. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials	**235,664**	222,503
Finished goods	**208,132**	177,535
	443,796	400,038

During the year, certain impaired inventories were sold at gross profit. As a result, a reversal of write-down of inventories of approximately RMB564,000 (2008: RMB1,695,000) has been recognised and included in the consolidated statement of comprehensive income.

21. 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 RMB'000	2008 RMB'000
Aged:		
Within 1 year	**128,139**	148,842
1–2 years	**19,011**	11,128
Trade receivables	**147,150**	159,970
Other receivables and prepayments (Note)	**38,391**	25,170
Prepayments to suppliers	**34,526**	29,067
	220,067	214,207

21. TRADE AND OTHER RECEIVABLES (continued)

Movement in the impairment for trade receivables:

	2009 RMB'000	2008 RMB'000
Balance at beginning of the year	8,114	9,950
Amounts written off as uncollectible	(282)	(2,933)
Impairment loss recognised on trade receivables	229	1,097
Balance at end of the year	8,061	8,114

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately RMB19,011,000 (2008: RMB11,128,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. Receivables that were past due but not impaired were all aged over one year but within 2 years and related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB169,000 (2008: RMB169,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

Pursuant to a contract entered into between the Company and Tianye Holdings Group in November 2004, prepayments to suppliers of the Group include prepayments paid to Tianye Holdings Group of approximately RMB441,000 (2008: RMB5,064,000), for sourcing and supply of raw materials. All balances aged within one year from the respective reporting date.

Note: Included in other receivables as at 31 December 2009 are VAT recoverable of approximately RMB14,119,000. The PRC tax authorities initiated VAT inquiries for the years of assessment since the year ended 31 December 2007 on the Company in May 2009. Assessment for additional VAT of approximately RMB14,119,000 was issued to the Company for the years under review and objections were lodged with the PRC tax authority by the Company. In the opinion of the Directors, in view of the tax inquiries are still in progress, and it is probable that the amount of tax previously paid will be recoverable. Accordingly, the VAT paid of RMB14,119,000 had been recorded as VAT recoverable.

22. BILLS RECEIVABLE AND PAYABLE

Bills receivable and payable aged within one year from the respective reporting dates. The directors consider that the carrying amounts of bills receivable and payable approximate their fair values because of their short-term of maturities.

23. DEPOSIT IN A NON-BANKING FINANCIAL INSTITUTION

The deposit in a non-banking financial institution is for trading in future contracts. The deposit does not carry any interest.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The deposits carry fixed interest at prevailing market rates. The remaining bank balances carry interests at prevailing market rates.

25. TRADE AND OTHER PAYABLES

The aging analysis of trade payables is as follows:

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

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 (2009: Nil). All of these balances aged within one year from the respective reporting dates.

As at 31st December, 2008, other payables and accruals of the Group include a rental payable to Tianye Company of approximately RMB728,000 (2009: Nil).

As at 31st December, 2009, included in other payables are an amount due to Tianye Holdings Group of approximately RMB5,047,000 (2008: Nil). The amount is unsecured, non-interest bearing and repayable on demand.

26. SHORT-TERM BANK BORROWINGS

	2009 RMB'000	2008 RMB'000
Bank borrowings are analysed as follows:		
Unsecured	**117,000**	189,000

At 31st December, 2009 and 2008, certain bank borrowings of the Group were guaranteed by Tianye Holdings Group, details of which are set out in Note 38(b).

The Group's bank borrowings of RMB67,000,000 as at 31st December, 2009 (2008: RMB139,000,000) are at fixed interest rates ranging from 4.78% to 5.31% (2008: 5.31% to 7.47%) per annum during the year.

The Group's bank borrowings of RMB50,000,000 as at 31st December, 2009 (2008: RMB50,000,000) carries interest at the rate of the People's Bank of China (2008: the rate of the People's Bank of China minus 5%) per annum during the year.

The above bank borrowings are all contracted for a term of one year and denominated in RMB.

27. DERIVATIVE FINANCIAL LIABILITIES

	2009 RMB'000	2008 RMB'000
Commodity futures contracts, at fair value	**8**	—

Major terms of futures contracts outstanding at 31st December, 2009:

Currency	Quantity	Maturity	Commodity forward price
RMB	PVC 550 Tons	March 2010	Sell at RMB7,655/ton
RMB	PVC 50 Tons	May 2010	Sell at RMB8,000/ton

28. STATEMENT OF FINANCIAL POSITION INFORMATION OF THE COMPANY

Statement of financial position information of the Company at the reporting date is as follows:

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		175,659	162,229
Prepaid lease payments		7,070	7,222
Deposit paid for acquisition of property, plant and equipment		107	5,900
Investments in subsidiaries	29	120,255	105,795
		303,091	281,146
Current assets			
Inventories		336,918	316,924
Trade and other receivables		179,695	181,003
Bills receivable		69	7,340
Prepaid lease payments		153	155
Amounts due from subsidiaries	30	85,163	55,562
Deposit in a non-banking financial institution		2,216	—
Bank balances and cash		12,420	109,946
		616,634	670,930
Current liabilities			
Trade and other payables		124,321	61,842
Bills payable		—	30,000
Amounts due to subsidiaries	30	15,876	33,504
Tax payables		774	—
Short-term bank borrowings		115,000	175,000
Derivative financial liabilities		8	—
		255,979	300,346
Net current assets		360,655	370,584
Total assets less current liabilities		663,746	651,730
Capital and reserves			
Share capital	31	519,522	519,522
Reserves		143,624	132,208
Total equity		663,146	651,730
Non-current liability			
Deferred income		600	—
		663,746	651,730

29. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	**120,255**	105,795

At 31st December, 2009, the Company has the following subsidiaries:

Name of subsidiary	Date and place of establishment/ operation	Corporate nature	Registered and paid up capital	Equity interest	Principal activities
Directly held by the Company					
Tianye Recycling	25th December, 2002 The PRC	Limited liability company	RMB2,500,000	98%	Recycling of used materials
Gansu Tianye (Note (iii))	4th April, 2002 The PRC	Limited liability company	RMB30,000,000	100%	Trading of PVC pipes
Tianye Installation	22nd December, 2003 The PRC	Limited liability company	RMB10,000,000	95%	Installation of irrigation system
Alaer Tiannong	6th August, 2002 The PRC	Limited liability company	RMB10,000,000	51%	Manufacture and sale of irrigation system and equipment
Hami Tianye	15th October, 2003 The PRC	Limited liability company	RMB19,000,000	60%	Manufacture and sale of irrigation system and equipment
Kuitun Tiantun	4th September, 2006 The PRC	Limited liability company	RMB12,000,000	80%	Manufacture and sale of irrigation system and equipment
Beijing Tianye	13th September, 2007 The PRC	Limited liability company	RMB3,000,000	51%	Trading of drip films
Akesu Tianye (Note (i))	15th August, 2008 The PRC	Limited liability company	RMB40,000,000	100%	Manufacture and sale of irrigation system and equipment
Shihezi Tianchen (Note (ii))	6th March, 2009 The PRC	Limited liability company	RMB15,000,000	60%	Manufacture and sale of irrigation system and equipment
Indirectly held by the Company					
Hami Huimin	20th March, 2007 The PRC	Limited liability company	RMB500,000	100%	Recycling of used materials

29. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

(i) Akesu Tianye was established under the laws of the PRC with limited liability on 15th August, 2008 with an operating period of 20 years. The registered capital was RMB 40,000,000 and is a wholly owned subsidiary of the Company. Pursuant to the capital verification report issued by 新疆華瑞有限責任會計師事務所 dated 22nd August, 2008, the total registered capital of RMB40,000,000 was fully paid by Akesu Tianye as of 22nd August, 2008.

(ii) 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 was 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.

(iii) During the year, the amount of the registered capital of 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 agreement, all minority shareholders 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 fully paid by the Company as of 4th November, 2009 and Gansu Tianye is a wholly-owned subsidiary of the Company since then.

None of the subsidiaries had issued any debt securities at 31st December, 2008 and 2009.

30. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts are unsecured, non-interest bearing and repayable on demand.

31. SHARE CAPITAL

Registered shares of RMB1.00 each	No. of shares ('000)	Amount RMB'000
Registered, issued and fully paid:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009		
— Domestic shares	**317,122**	317,122
— H shares	**202,400**	202,400
	519,522	519,522

32. RESERVES

(i) As stipulated by the relevant laws and regulations in the PRC, each of the entities comprising the Group is required to set aside 10% of its net profit for a statutory reserve fund (except where the reserve balance has reached 50% of the contributed capital of the relevant entity).

The statutory reserve fund can be used to:

- set-off against prior periods' losses; and
- convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting and the balance of the statutory reserve fund does not fall below 25% of the contributed capital of the relevant entity.

(ii) The appropriation to the statutory reserve fund has been made in accordance with the reported profits of the relevant entity prepared under the PRC accounting standards and regulations.

Profit of the Company is to be appropriated in the following sequence:

- set-off against prior years' losses;
- transfer to statutory reserve fund; and
- distribution of dividends.

(iii) Other reserve represented reserve arising from transactions with minority interests.

33. DEFERRED INCOME

During the year ended 31st December, 2009, the Group received government grants of RMB1,200,000 (2008: nil) towards a construction project for the production of wooden pallets used for storage of inventories (the "construction project") and RMB295,000 as compensation of electricity expenses. All conditions in respect of such government grants had been fulfilled and such government grants were recognised as income during the year as other operating income.

During the year ended 31st December, 2009, the Group further received government grants of RMB600,000 (2008: nil) towards the construction project. Since the conditions in respect of such government grants had not yet been fulfilled up to the reporting date and thus deferred income has been recognised in the consolidated statement of comprehensive income.

34. DEREGISTRATION OF SUBSIDIARIES

During the year ended 31st December, 2009, the Group deregistered two of its subsidiaries, Zhaoqing Tianye and Tianrui.

The net assets of Zhaoqing Tianye and Tianrui at the respective dates of deregistration were as follows:

	Zhaoqing Tianye RMB'000	Tianrui RMB'000	Total RMB'000
Net assets at the date of deregistration:			
Trade and other receivables	6,000	600	6,600
Minority shareholders	(5,857)	(380)	(6,237)
Net assets	143	220	363
Loss on deregistration	(143)	(220)	(363)
	–	–	–

The deregistered subsidiaries during the year recorded a loss of approximately RMB1,605,000 and paid approximately RMB1,204,000 to the Group's net operating cash flows. The deregistered subsidiaries had no significant impact on the Group's investing and financing cash flows.

35. CAPITAL COMMITMENTS

	2009 RMB'000	2008 RMB'000
Capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	793	7,615

36. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The Group's and the employees' contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employees in accordance with the requirements of the Mandatory Provident Fund Scheme Ordinance and related regulations.

The employees of the Company's subsidiaries in the PRC are members of state-managed retirement benefit schemes (the "Schemes") operated by the PRC government. During the year ended 31st December, 2009, the Group is required to contribute 20% (2008: 20%) of the applicable payroll costs of permanent employees to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

37. OPERATING LEASE COMMITMENT

Minimum lease payments paid under operating leases during the year:

	2009 RMB'000	2008 RMB'000
Premises	1,651	2,032

At the end of the respective reporting period, the Group had commitments for future minimum lease payment under non-cancellable operating lease which fall due as follows:

	2009 RMB'000	2008 RMB'000
Within one year	1,626	1,764
In second to fifth year inclusive	856	2,506
	2,482	4,270

37. OPERATING LEASE COMMITMENT (continued)

Operating lease payments mainly represent rentals payable by the Group for a factory premise and an office premise. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

38. RELATED PARTY TRANSACTIONS

(a) During the year, the Group had entered into the following significant transactions with Tianye Holdings Group which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary and usual course of the Group's business:

Nature of transactions/business	Notes	2009 RMB'000	2008 RMB'000
Sales of finished goods	(i)	8,558	5,369
Purchase of raw materials	(i)	68,535	56,688
Sales of property, plant and equipment	(i)	—	1,206
Purchase of property, plant and equipment	(i)	15	9,488
Rentals of premises	(ii)	1,464	1,464
Sharing of expenses	(iii)	—	2,126

Notes:

(i) These transactions were carried out based on normal commercial terms and with reference to prevailing market prices under the sale/purchase agreements.

(ii) Pursuant to an agreement entered into by the Company and Tianye Company in 2002 which expires on 31st October, 2012, the Company is obliged to pay an annual rental to Tianye Company for the use of a piece of land on which certain of the Company's buildings are erected. The agreement was terminated effective from 1st January, 2006 and replaced by a new rental agreement for use of certain buildings and the land for a period up to 30th June, 2008. The rental agreement was further extended on 1st July, 2008 to a period up to 30th June, 2011.

(iii) Pursuant to a sharing agreement entered into by the Company and Tianye Company during the year ended 31st December, 2008, Tianye Company was obliged to pay certain administration expenses based on a cost basis for that year.

(iv) A trademark licence agreement dated 1st June, 2004 entered into between the Company and Tianye Company whereby Tianye Company granted to the Company the right to use a trademark for the period from 1st June, 2003 to 1st June, 2006 at nil consideration. On 25th May, 2006, the trademark licence agreement has been renewed for a period from 1st June, 2006 to 13th February, 2011 at nil consideration.

38. RELATED PARTY TRANSACTIONS (continued)

(b) Corporate guarantees

At the end of the respective reporting period, the Group's banking facilities were secured by the corporate guarantees given by Tianye Holdings Group:

	2009 **RMB'000**	2008 RMB'000
To the extent to:	**115,000**	175,000

All guarantees as at 31st December, 2009 provided by Tianye Holdings Group will be released on or before 28th November, 2010.

(c) Acquisition of 10% additional equity interest in Gansu Tianye

As mentioned in the announcement dated 3rd November, 2009, the Company and the minority shareholders of Gansu Tianye, a non-wholly owned subsidiary of the Company, entered into a sale and purchase agreement. Pursuant to it, 新疆石河子中發化工有限責任公司 ("Zhongfa Chemical"), Gao Jin Ming, Wang Hong Tao and Chen Wei Zhong 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 approximately RMB1,204,000, in which an amount totalling approximately RMB60,000 had been set-off with the outstanding receivables from certain non-controlling interests. Zhongfa Chemical is a subsidiary of Tianye Company, the Company's immediate holding company, which is considered as a related party of the Company. The Group's share of the identifiable assets and liabilities of the subsidiary at the date of acquisition attributable to the acquired interests amounted to approximately RMB1,341,000. The excess of the carrying value over the cost of acquisition of approximately RMB137,000 was recorded as an increase in equity.

(d) Details of the balances with related parties are set out on the consolidated statement of financial position and Notes 21 and 25 respectively.

38. RELATED PARTY TRANSACTIONS (continued)

(e) Compensation to key management personnel

The remuneration paid to the directors, supervisors and other key management personnel of the Company are as follows:

	2009 RMB'000	2008 RMB'000
Short-term benefit	1,284	1,278
Post-employment benefits	62	236
Total	1,346	1,514

Details of the remuneration paid to the directors and supervisors are set out in Note 12. The remuneration to the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. MATERIAL TRANSACTIONS/BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES IN THE PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under Tianye Holdings which is controlled by the PRC government. Apart from the transactions with Tianye Holdings and fellow subsidiaries as disclosed in Note 38 above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

39. MATERIAL TRANSACTIONS/BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES IN THE PRC (continued)

Material transactions/balances with other state-controlled entities are as follows:

(a) Material transactions

Nature of transactions	2009 RMB'000	2008 RMB'000
Sales of goods	242,614	385,642
Purchase of raw materials	144,327	177,460
Interest expenses	14,512	12,633
Interest income	32	—

(b) Material balances

	2009 RMB'000	2008 RMB'000
Bank balances	57,676	139,755
Trade and other receivables	125,012	109,870
Trade and other payables	4,148	4,352
Bank borrowings	117,000	189,000

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

Five Years Financial Summary

The table below summarises the audited results, assets and liabilities of the Group for the year ended 31st December, 2009, 2008, 2007, 2006 and 2005. Such information is compiled based on the Hong Kong Financial Reporting Standards.

RESULTS

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Turnover	571,028	664,248	616,172	461,809	376,251
Profit for the year and total comprehensive income attributable to owners of the Company	6,479	6,694	70,287	62,497	52,658

ASSETS AND LIABILITIES

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Total Assets	970,782	1,003,624	1,003,916	779,786	541,743
Total Liabilities	286,718	322,937	310,100	144,558	150,718
Minority Interests	(18,532)	(21,771)	(22,891)	(15,887)	(12,017)
Equity Attributable to owners of the Company	665,532	658,916	670,925	619,341	379,008

Property Interests Held by the Group in the PRC

Location of Property	Lease term	Percentage of interests attributable to the Group	Floor Area (sq.m.)	Use
1. A parcel of land and various buildings erected thereon, West of Qing Song Nan Road and North of Sheng Li Boulevard, Alaer Shi, Xinjiang Uygur Autonomous Region, the PRC	Long	51%	3,207.54	Commercial
2. A parcel of land and various buildings and structures erected thereon, No. 1 Hong Guang Road, Hami Shi, Xinjiang Uygur Autonomous Region, the PRC	Medium	60%	4,600.86	Commercial
3. A parcel of land and various buildings and structures erected thereon, District No. 81, Shihezi Economic and Technological Development Zone, Xinjiang Uygur Autonomous Region, the PRC	Long	100%	4,491.8	Commercial