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新疆天业节水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

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

(Stock Code: 840)

Annual Results for the Year Ended 31st December, 2010

GROUP FINANCIAL SUMMARY

- Turnover for the year ended 31st December, 2010 was approximately RMB588,491,000, an increase of approximately 3.1% from 2009;
- Profit for the year ended 31st December, 2010 was approximately RMB16,209,000, an increase of approximately 2.4 times from 2009, the profit attributable to owners of the Company was approximately RMB17,151,000, an increase of approximately 1.6 times from 2009;
- Basic and diluted earnings per share for the year was approximately RMB3.3 cents (2009: approximately RMB1.2 cents).

RESULTS

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2010, together with the comparative figures for the corresponding period in 2009 as follows:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	Notes	2010 RMB'000 (Audited)	2009 RMB'000 (Audited)
Turnover	5	588,491	571,028
Cost of sales		<u>(520,877)</u>	<u>(519,431)</u>
Gross profit		67,614	51,597
Other operating income	5	5,093	5,353
Distribution costs		(25,640)	(24,168)
Administrative expenses		(21,846)	(16,322)
Other operating expenses		<u>(1,212)</u>	<u>(1,679)</u>
Profit from operations		24,009	14,781
Finance costs	6	<u>(3,156)</u>	<u>(7,601)</u>
Profit before taxation	7	20,853	7,180
Taxation	8	<u>(4,644)</u>	<u>(2,362)</u>
Profit and total comprehensive income for the year		<u><u>16,209</u></u>	<u><u>4,818</u></u>
Profit and total comprehensive income attributable to:			
Owners of the Company		17,151	6,479
Non-controlling interests		<u>(942)</u>	<u>(1,661)</u>
		<u><u>16,209</u></u>	<u><u>4,818</u></u>
Earnings per share — basic and diluted	10	<u><u>RMB3.3 cents</u></u>	<u><u>RMB1.2 cents</u></u>

Consolidated Statement of Financial Position

As at 31st December, 2010

	<i>Notes</i>	2010 RMB'000 (Audited)	2009 <i>RMB'000</i> <i>(Audited)</i>
ASSETS			
Non-Current Assets			
Property, plant and equipment		216,133	246,033
Prepaid lease payments		13,346	13,315
Deposit paid for acquisition of property, plant and equipment		—	107
Goodwill		98	98
		<hr/> 229,577	<hr/> 259,553
Current Assets			
Inventories		468,635	443,796
Trade and bill receivables	11	102,575	147,219
Prepayments, deposits and other receivables		95,581	72,917
Prepaid lease payments		—	329
Tax refundable		—	858
Deposit in a non-banking financial institution		—	2,216
Bank balances and cash		125,801	43,894
		<hr/> 792,592	<hr/> 711,229
Total Assets		<hr/> 1,022,169	<hr/> 970,782
EQUITY			
Share capital		519,522	519,522
Reserves		163,161	146,010
		<hr/> 682,683	<hr/> 665,532
Equity attributable to owners of the Company		682,683	665,532
Non-controlling interests		17,299	18,532
		<hr/> 699,982	<hr/> 684,064
Total Equity		<hr/> 699,982	<hr/> 684,064

	<i>Notes</i>	2010 RMB'000 (Audited)	2009 <i>RMB'000</i> <i>(Audited)</i>
LIABILITIES			
Non-Current Liabilities			
Deferred income		—	600
Current Liabilities			
Trade payables	12	93,763	103,539
Accruals and other payables		140,405	64,517
Tax payables		5,895	1,054
Short-term bank borrowings		80,000	117,000
Derivative financial liabilities		2,124	8
		322,187	286,118
Total Liabilities		322,187	286,718
Total equity and liabilities		1,022,169	970,782
Net current assets		470,405	425,111
Total assets less current liabilities		699,982	684,664
Net assets		699,982	684,064

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

1. GENERAL INFORMATION

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 27 December 1999. On 28 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 23 January 2008. On 24 January 2008, the Company’s H shares are listed on the Main Board of the Stock Exchange.

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

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

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

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSS)

2.1 Standards and Interpretations adopted in the current year

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKIPCA”) which are relevant to and effective for the Group’s financial period beginning on 1 January 2010, except for the early adoption of HKAS 24 (Revised):

HKFRSs (Amendment)	Improvements to HKFRS
HKFRS 3 & HKAS 27 (as revised in 2008)	Business Combinations & Consolidated and Separate Financial Statements
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKAS 39 (Amendment)	Eligible Hedged Items
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) 17	Distributions of Non-cash Assets to Owners
HK — INT 4	Leases-Determination of the Length of Lease Term in respect of Hong Kong Leases (Revised in December 2009)
HK — INT 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of the new and revised HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

2.2 Standards and Interpretations issued but not yet adopted

As at the date of authorisation of these consolidated financial statements, the HKICPA has issued the following standards, amendments and interpretations that are not yet effective, and have not been adopted early by the Group:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKAS 1 and HKAS 28 ¹
HKFRS 7 (Amendments)	Disclosures — Transfer of financial assets ⁷
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ⁵
HKAS 32 (Amendment)	Classification of Rights Issues ⁶
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments ²

1. Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2. Effective for annual periods beginning on or after 1 July 2010.
3. Effective for annual periods beginning on or after 1 January 2011.
4. Effective for annual periods beginning on or after 1 January 2013.
5. Effective for annual periods beginning on or after 1 January 2012.
6. Effective for annual periods beginning on or after 1 February 2010.
7. Effective for annual periods beginning on or after 1 July 2011.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The directors of the Company anticipate that the application of the other new and revised standards or interpretations will have no material impact on the Group's results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The consolidated financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4. SEGMENT INFORMATION

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 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.

Geographical information

The Group's operations are substantially located in 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.

5. REVENUE, OTHER INCOME AND GAINS

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 during the year, and is analysed as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
(a) Revenue		
Drip film and drip assemblies*	365,569	368,541
PVC/PE pipelines	222,922	202,487
	588,491	571,028
(b) Other income:		
Gain from futures contracts transactions	1,937	1,576
Government grants	—	1,495
Waiver of long outstanding other payables	—	688
Reversal of impairment for inventories	—	564
Gain on disposal of property, plant and equipment	507	—
Reversal of impairment losses on trade receivable	2,144	—
Bank interest income	274	513
Others	231	517
	5,093	5,353
Total revenue	593,584	576,381

* 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.

6. FINANCE COSTS

	Group	
	2010	2009
	RMB'000	RMB'000
Interest on bank loans and overdrafts wholly repayable within one year	3,156	7,601

7. PROFIT BEFORE TAXATION

Profit before income tax is arrived at after charging/(crediting):

	Group	
	2010	2009
	RMB'000	RMB'000
Cost of inventories sold	426,984	441,003
Amortisation of prepaid lease payments	319	325
Depreciation of property, plant and equipment	35,862	28,273
Operating lease payments in respect of land and buildings	1,464	1,464
Auditors' remuneration	650	650
Staff costs (including directors' remuneration)		
— Wages and salaries	32,828	27,642
— Defined contribution scheme	3,150	3,273
Research and development costs	302	131
Provision for impairment of trade receivables	12	229
Loss on deregistration of subsidiaries	—	363
(Gain)/Loss on disposal of property, plant and equipment	(507)	380
Net loss on change in fair value of derivative financial instruments	2,116	8

8. TAXATION

During the two years ended 31st December, 2010, pursuant to the relevant laws and regulations in the PRC, the Company and its subsidiaries were subject to PRC Enterprise Income Tax ("EIT") which is calculated at the EIT rates applicable to each of the entities comprising the Group.

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

Tax charge comprises:

	2010	2009
	RMB'000	RMB'000
Charge for the year	4,652	2,342
(Over)/under provision in previous years	(8)	20
	4,644	2,362

9. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: Nil).

10. 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 RMB17,151,000 (2009: RMB6,479,000) and on the weighted average number of 519,521,560 (2009: 519,521,560) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there had been no dilutive potential ordinary shares in both years.

11. TRADE AND BILL RECEIVABLES

The fair values of trade and bill receivables are as follows:

	Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	107,196	155,211
Bill receivables	909	69
Less: Provision for impairment of trade receivables	(5,530)	(8,061)
	102,575	147,219

Sales to farmer unions are normally on cash basis. The credit term to other customers is normally one year. The Group's trade and bill receivables (less impairment) with the following aging analysis presented based on the invoice date:

	Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	79,604	128,208
1–2 years	22,971	19,011
	102,575	147,219

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2010/2009	8,061	8,114
Amount written off during the year	(399)	(282)
Amount recovered during the year	(2,144)	—
Impairment loss recognised	12	229
At 31 December 2010/2009	5,530	8,061

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately RMB22,971,000 (2009: RMB19,011,000) 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 and were state-controlled entities which have good creditability. 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.

Bill receivables are aged within one year from the respective reporting dates. The directors consider that the carrying amounts of bill receivable approximated their fair values because of their short-term of maturities.

12. TRADE PAYABLES

An aging analysis of trade payables as at the reporting date, based on invoice date, is as follows:

	Group	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
0–180 days	49,043	68,330
181–360 days	25,271	21,955
1–2 years	13,706	12,104
Over 2 years	5,743	1,150
	93,763	103,539

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, 2010, the turnover of the Group was approximately RMB588,491,000, an increase of approximately 3.1% from approximately RMB571,028,000 for the year ended 31st December, 2009.

The following table summarises the breakdown of the total turnover of the Group for each of the two years ended 31st December, 2010 by products:

Category	For the year ended 31st December, 2010		For the year ended 31st December, 2009		Year-on- year percentage change
	Turnover <i>RMB'000</i>	% to total turnover %	Turnover <i>RMB'000</i>	% to total turnover %	
Drip films and drip assemblies	365,569	62.11	368,541	64.54	(0.80)
PVC/PE pipelines	222,922	37.89	202,487	35.46	10.09
Total	588,491	100	571,028	100.00	

The change in turnover for the year ended 31st December, 2010 was mainly attributable to the effect of an expansion of farmland fitted with the water saving irrigation products of the Group. For the year ended 31st December, 2010, sales of drip films and drip assemblies decreased by approximately 0.80% to approximately RMB365,569,000, while sales of PVC/PE pipelines increase by approximately 10.09% to approximately RMB222,922,000. At the same time, the sales volume of drip films and drip assemblies decreased from approximately 29,113 tonnes for the year ended 31st December, 2009 to approximately 28,564 tonnes for the year ended 31st December, 2010, while the sales volume of PVC pipelines increased from approximately 34,222 tonnes for the year ended 31st December, 2009 to approximately 35,445 tonnes for the year ended 31st December, 2010. The increase in the sales volume of the Group's products was mainly attributable to the growth in demand for water saving irrigation system in the PRC.

Cost of sales

For the year ended 31st December, 2010, cost of sales of the Group was approximately RMB520,877,000, an increase of approximately 0.27% from approximately RMB519,431,000 for the year ended 31st December, 2009. Costs of sales for the year ended 31st December, 2010 comprised direct materials costs of approximately RMB426,984,000, direct labour costs of approximately RMB18,301,000 and production overhead of approximately RMB75,592,000, which accounted for approximately 81.98%, 3.51% and 14.51%, respectively, of the total costs of sales for the year under review. 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 2009.

Gross profit

The Group realised a gross profit of approximately RMB67,614,000 for the year ended 31st December, 2010, an increase of approximately RMB16,017,000 from approximately RMB51,597,000 for the year ended 31st December, 2009. The Group's gross profit margin increased from approximately 9.04% for the year ended 31st December, 2009 to approximately 11.48% for the year ended 31st December, 2010. The increase in gross profit margin was mainly due to the increase in selling price of PVC pipelines by approximately 6.43% during the year when compared with those last year which increased the overall gross profit margin for 2010.

Other operating income

Other operating income consists primarily of government grants and gain from futures contracts transactions. Such income had slightly decreased from approximately RMB5,353,000 for the year ended 31st December, 2009 to approximately RMB5,093,000 for the year ended 31st December, 2010.

Distribution costs

Distribution costs were approximately RMB25,640,000 for the year ended 31st December, 2010, an increase of approximately 6.09%. The amount accounted for approximately 4.35% of the total turnover for the year ended 31st December, 2010, slightly higher than its share of total turnover of approximately 4.23% 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, 2010, sales-related transportation costs increased by approximately 23.39% to approximately RMB6,323,000, and salaries expenses and sales commission increased by approximately 25.65% and 16.50% to approximately RMB6,215,000 and RMB2,746,000, respectively, while entertainment fees decreased by approximately 35.70% to approximately RMB652,000. Bidding expenses decreased by approximately 40.84% to approximately RMB885,000.

Administrative expenses

Administrative expenses increased by approximately 33.88% to approximately RMB21,846,000 for the year ended 31st December, 2010. The amount accounted for approximately 3.71% of total turnover for the year ended 31st December, 2010, higher than its share of total turnover of approximately 2.85% in the previous year. For the year ended 31st December, 2010, salary costs increased by 21.78% to approximately RMB6,887,000 and impairment for trade receivables decreased by approximately 94.75% to approximately RMB12,000. Other operating expenses decreased by approximately 27.81% to approximately RMB1,212,000.

Profit from operations

As a result of the factors discussed above, the Group's profit from operations for the year ended 31st December, 2010 was approximately RMB24,009,000, representing an increase of approximately 62.43% from approximately RMB14,781,000 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 2.59% and 4.07%, respectively, for the years ended 31st December, 2009 and 2010.

Finance costs

Finance costs for the year ended 31st December, 2010 amounted to approximately RMB3,156,000, representing a decrease of 58.47% 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 increased by approximately 1.65 times, from approximately RMB6,479,000 for the year ended 31st December, 2009 to approximately RMB17,151,000 for the year ended 31st December, 2010. For the two years ended 31st December, 2009 and 2010, the Group's net profit margins were approximately 1.13% and 2.91%, respectively.

Indebtedness

Borrowings

As at 31st December, 2010, the Group had outstanding bank loans of RMB80,000,000 (2009: RMB117,000,000), which will be due within a year at floating interest rates by reference to rate of the People's Bank of China minus 10% per annum.

For the outstanding bank loans of RMB80,000,000 as at 31st December, 2010, Xinjiang Tianye (Group) Limited ("Tianye Holdings") and its subsidiary had granted guarantees to banks for securing the loan. The guarantees for the loans will be released on or before 13th December, 2011.

Commitments

As at 31st December, 2010, the Group does not have any material capital commitments (2009: RMB793,000).

Liquidity, Financial Resources and Capital Structure

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2010 were approximately 2.46 and 1.01, respectively, representing a decrease of 0.03 and an increase of 0.08 respectively when compared to 31st December, 2009. This is primarily due to increase in bank balances and cash during the year under review.

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, 2010, 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 RMB19,105,000 (2009: approximately RMB61,197,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2010, the gearing ratio (which is defined as total borrowings over total equity) of the Group was approximately 11.42% (2009: approximately 17.10%). This is primarily due to the decrease in bank loans and increase in equity as a result of increase in profit 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, 2010.

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, 2010, the Group had no material contingent liabilities (2009: Nil).

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 2009 and 2010.

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, 2010, the Group had 1,356 employees (2009: 1,342).

Material Acquisitions Or Disposals of Subsidiaries and Associated Companies

For the year ended 31st December, 2010, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

Material Investments

For the year ended 31st December, 2010, the Group had no material investments (2009: Nil).

Dividend

The Directors do not recommend the payment of any final dividend for the year ended 31st December, 2010 (2009: Nil).

Closure of Register of Members

The register of the members of the Company will be closed from Friday, 22nd April, 2011 to Thursday, 12th May, 2011 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend and vote at the forthcoming annual general meeting and the class meetings of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not later than 4 p.m. on Thursday, 21st April, 2011.

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, 2010, the Group has complied with the provisions in the "Code on Corporate

Governance Practices” as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

PROSPECTS

In recent years, severe floods and droughts occurred frequently in China have caused a significant loss of life and property, exposing a serious weak in the water conservancy and other infrastructure. The Chinese government fully recognizes the importance and urgency of vigorously strengthening the water conservancy construction. The Chinese government promulgated “Decision on Expediting the Reform and Development of Water Conservancy” in early 2011, which charts the path for expediting the water conservancy development in China. In the opinion of the Directors, the Company will accomplish a big success in the areas of greatly developing the irrigation and water conservancy construction, improving drought-resistance and emergency response capacity, promoting the construction of rural safe drinking water, etc. with our industry-leading technologies and scale of agricultural water-saving.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. Following specific enquiry made by the Company, all Directors have confirmed that they have complied with the required standards under the Model Code for the year ended 31st December, 2010.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management, the consolidated financial statements of the Group for the year ended 31st December, 2010, the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN COMPETING BUSINESS

For the year ended 31st December, 2010, the Directors are not aware of any business or interest of the Directors, the supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

THE ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2010 will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.com.hk>) and the Company (<http://www.tianyejieshui.com.cn>) in due course.

APPRECIATION

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

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

Xinjiang, the PRC, 18th March, 2011

As at the date of this announcement, the Board comprises six executive Directors namely Hou Guo Jun (Chairman), Shi Xiang Shen, Yin Xiu Fa, Li Shuang Quan, Zhu Jia Ji and Chen Lin and five independent non-executive Directors namely He Lin Wang, Xia Jun Min, Gu Lie Feng, Wang Yun and Mak King Sau.

* *For identification purpose only*