



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)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

SUMMARY

- Revenue for the six months ended 30th June, 2013 was approximately RMB392,895,000, a decrease of approximately 2.8% from RMB404,079,000 for the corresponding period in the previous year.
- Profit for the six months ended 30th June, 2013 was approximately RMB359,000, a decrease of approximately 94.9% from the corresponding period in the previous year, the profit attributable to owners of the Company was approximately RMB501,000, a decrease of approximately 92.9% from the corresponding period in the previous year.
- Basic earnings per share for the six months ended 30th June, 2013 was approximately RMB0.001 (for the corresponding period in 2012: approximately RMB0.014).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2013.

* For identification purpose only

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

The board of directors (the “Board”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2013, together with the comparative figures for the corresponding period in 2012. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended	
		30th June,	
		2013	2012
		RMB'000	RMB'000
		(unaudited)	(unaudited)
1. Operating revenue	3	392,895	404,079
Including: Other operating income		4,232	—
Operating income		<u>388,663</u>	<u>404,079</u>
2. Operating cost		391,663	395,584
Including: Cost of sales		360,103	366,054
Including: Other operating expenses		2,219	—
Operating expenses		357,884	366,054
Business taxes and surcharges		428	85
Distribution costs		18,888	16,323
Administrative expenses		9,787	9,377
Finance costs		<u>2,457</u>	<u>3,745</u>
3. Operating profits		1,232	8,495
Add: Non-operating income		574	341
Less: Non-operating expenses		<u>248</u>	<u>70</u>
4. Total profits	5	1,558	8,766
Less: Income tax expenses	6	<u>1,199</u>	<u>1,724</u>
5. Net profits		359	7,042
Attributable to owners of the Company		501	7,092
Attributable to non-controlling interests		<u>(142)</u>	<u>(50)</u>
6. Earnings per share — basic	7	<u>RMB0.001</u>	<u>RMB0.014</u>
7. Dividend	8	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2013 <i>RMB'000</i> (unaudited)	As at 31st December, 2012 <i>RMB'000</i> (audited)
Current assets:			
Cash		144,639	111,742
Bill receivables		2,720	2,850
Trade receivables	9	134,558	132,921
Prepayments		18,787	16,721
Other receivables		15,845	16,368
Inventories		578,743	594,536
Other current assets		<u>4,283</u>	<u>3,712</u>
		899,575	878,850
Non-current assets:			
Investment property		8,954	9,117
Property, plant and equipment	10	155,058	162,499
Construction in progress		36,535	31,624
Construction materials		—	103
Intangible assets		12,692	12,840
Long-term prepaid expenses		420	502
Deferred tax assets		1,174	1,189
Other non-current assets		<u>4,506</u>	<u>4,506</u>
		219,339	222,380
Total assets		<u>1,118,914</u>	<u>1,101,230</u>
Current liabilities:			
Short-term borrowings		50,000	100,000
Trade payables	11	179,157	168,859
Receipts in advance		118,196	66,273
Employee remuneration payable		7,305	3,674
Taxes payable		426	5,332
Other payables	12	<u>33,636</u>	<u>15,207</u>
		388,720	359,345
Non-current liability:			
Other non-current liabilities		<u>—</u>	<u>12,050</u>
Total liabilities		388,720	371,395
Equity:			
Share capital		519,522	519,522
Capital reserve		15,372	15,372
Surplus reserves		34,746	34,746
Retained earning		<u>142,678</u>	<u>142,177</u>
Total equity attributable to owners of the Company		712,318	711,817
Non-controlling interests		<u>17,876</u>	<u>18,018</u>
Total equity		730,194	729,835
Total liabilities and equity		<u>1,118,914</u>	<u>1,101,230</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th June, 2013*

	Share capital	Capital reserve	Surplus reserves	Retained earnings	Attributable to owners of the Company	Non- controlling interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2012	519,522	5,372	34,603	139,109	698,606	18,017	716,623
Total comprehensive income/(loss) for the period	—	—	—	7,092	7,092	(50)	7,042
At 30th June, 2012	<u>519,522</u>	<u>5,372</u>	<u>34,603</u>	<u>146,201</u>	<u>705,698</u>	<u>17,967</u>	<u>723,665</u>
At 1st January, 2013	519,522	15,372	34,746	142,177	711,817	18,018	729,835
Total comprehensive income/(loss) for the period	—	—	—	501	501	(142)	359
At 30th June, 2013	<u>519,522</u>	<u>15,372</u>	<u>34,746</u>	<u>142,678</u>	<u>712,318</u>	<u>17,876</u>	<u>730,194</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2013

	2013 <i>RMB'000</i> (unaudited)	2012 <i>RMB'000</i> (unaudited)
Net cash from operating activities	91,210	128,976
Net cash used in investing activities	(5,708)	(12,526)
Net cash used in financing activities	(52,605)	(73,916)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	32,897	42,534
Cash and cash equivalents at 1st January	111,742	61,391
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	144,639	103,925
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2013

1. GENERAL

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 People's Republic of China (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 liability company established in the PRC, is the holding company of Tianye Company and 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 are hereinafter collectively referred to as the "Tianye Holdings Group".

The unaudited condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Group.

2. BASIS OF PREPARATION

The Company's financial statements have been prepared on a going concern basis in accordance with the "Enterprise Accounting Standards — Basic Standards" and 38 specific accounting standards, subsequent practice notes, interpretations and other relevant regulations (collectively "ASBEs") promulgated by the Ministry of Finance in 15 February 2006. In addition, the Company has also disclosed relevant financial information required by the Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were in consistent with those applied to the annual financial statements of the Group for the year ended 31st December, 2012.

3. OPERATING REVENUE

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

	For the six months ended 30th June,	
	2013	2012
	RMB'000	RMB'000
Drip films and drip assemblies	233,559	302,562
PVC/PE pipelines	130,383	101,517
Provision of installation services	24,721	—
Other income	4,232	—
	<u>392,895</u>	<u>404,079</u>

Notes:

1. 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.
2. Revenue of other business was primarily attributable to income derived from external processing of spare and accessory parts by mechanical workshops and gain from fixed assets leasing.

4. BUSINESS AND GEOGRAPHICAL SEGMENT

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

5. TOTAL PROFITS

	For the six months ended 30th June,	
	2013	2012
	RMB'000	RMB'000
Total profits have been arrived at after charging:		
Finance costs		
Interest on bank loans wholly repayable within five years	2,605	3,916
Depreciation	8,543	11,504
and after crediting:		
Bank interest income	<u>202</u>	<u>217</u>

6. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2013	2012
	RMB'000	RMB'000
Income tax	<u>1,199</u>	<u>1,724</u>

- (1) The Company is subject to an enterprise income tax (“EIT”) tax rate of 15%.

Pursuant to “State Administration of Taxation of Shihezi Economic and Technology Development Zone in Xinjiang Uygur Autonomous Region Kai Guo Shui (Shi Kai) Guo Shui Jian Mian Bei Zi [2012] No. 117” (新疆維吾爾自治區石河子經濟技術開發區國家稅務局開國稅(石開)國稅減免備字[2012]117號文), the Company was granted a reduced EIT tax rate of 15% for the period from 1 January 2011 to 31 December 2013 as a hi-tech enterprise under Article 28 of the Law of the PRC on Enterprise Income Tax and Articles 5 and 19 of Measures for the Administration of Tax Deduction or Exemption (for Trial Implementation).

- (2) The Company’s subsidiaries Gansu Tianye Water Saving Equipment Company Limited, Akesu Tianye Water Saving Company Limited and Shihezi Tiancheng Water Saving Equipment Company Limited were granted a reduced EIT tax rate of 15% as they are qualified for tax concessions relating to the Western Development.
- (3) Save for the Company and its subsidiaries which were subject to an EIT tax rate of 15%, other subsidiaries were subject to an EIT tax rate of 25%.

7. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share for the six months ended 30th June, 2013 are based on the profit attributable to the owners of the Company of approximately RMB501,000 (for the corresponding period in 2012: approximately RMB7,092,000 and the weight average number of 519,521,560 (for the corresponding period in 2012: 519,521,560) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the two periods ended 30th June, 2012 and 2013 as there was no dilutive share outstanding during both periods.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2013 (for the corresponding period in 2012: nil).

9. TRADE RECEIVABLES

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

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

	As at 30th June, 2013 <i>RMB'000</i>	As at 31st December, 2012 <i>RMB'000</i>
Aged:		
Within 1 year	130,198	128,982
1–2 years	4,360	3,939
Trade receivables	<u>134,558</u>	<u>132,921</u>

The directors consider that the carrying amounts of trade receivables approximate their fair values because of their short-term of maturities.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,102,000 (for the corresponding period in 2012: approximately RMB12,743,000) on the purchase of the property, plant and equipment.

11. TRADE PAYABLES

Included in the balance of the Group were trade payables with the following aging analysis:

	As at 30th June, 2013 <i>RMB'000</i>	As at 31st December, 2012 <i>RMB'000</i>
Aged:		
within 1 year	176,896	165,824
1–2 years	719	817
2–3 years	257	125
Over 3 years	1,285	2,093
	<u>179,157</u>	<u>168,859</u>

12. OTHER PAYABLES

	As at 30th June, 2013 <i>RMB'000</i>	As at 31st December, 2012 <i>RMB'000</i>
Aged:		
Within 1 year	21,371	6,921
1–2 years	10,997	4,511
2–3 years	867	1,578
Over 3 years	401	2,197
	<u>33,636</u>	<u>15,207</u>

13. CAPITAL COMMITMENTS

	As at 30th June, 2013 <i>RMB'000</i>	As at 31st December, 2012 <i>RMB'000</i>
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	<u>7,464,000</u>	<u>7,130,000</u>

14. RELATED PARTY TRANSACTIONS

(a) Transactions

During the period, the Group had the following significant transactions with Tianye Holdings Group:

	For the six months ended	
	30th June, 2013 <i>RMB'000</i>	2012 <i>RMB'000</i>
Nature of transaction/business		
Sales of finished goods	430	621
Purchase of raw materials	36,029	30,869
Rentals of premises	<u>732</u>	<u>732</u>

(b) Corporate guarantee

At the balance sheet dates, the Group's banking facilities were secured by the corporate guarantee given by the following company:

	As at 30th June, 2013 <i>RMB'000</i>	As at 31st December, 2012 <i>RMB'000</i>
Tianye Holdings Group	<u>50,000</u>	<u>50,000</u>

(c) Compensation to key management personnel

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

	For the six months ended 30th June, 2013 <i>RMB'000</i>	
Directors and supervisors	743	811
Other key management personnel	<u>704</u>	<u>755</u>
Total	<u>1,447</u>	<u>1,566</u>

15. MAJOR 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.

The Group 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 or not the counterparty is a State-controlled Entities.

Material transactions/balances with other State-controlled Entities are as follows:

(a) Material transactions

	For the six months ended 30th June, 2013 <i>RMB'000</i>	
Nature of transaction		
Sales of goods	228,209	145,782
Purchase of raw materials	94,786	101,626
Purchase of property, plant and equipment	450	980
Interest expenses	<u>2,605</u>	<u>3,916</u>

(b) **Material balances**

	As at 30th June, 2013 RMB'000	As at 31st December, 2012 RMB'000
Bank balances	144,639	111,742
Trade and other receivables	114,876	101,412
Trade and other payables	6,266	18,101
Bank borrowings	50,000	100,000

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2013, the unaudited operating revenue of the Group was approximately RMB392,895,000, representing a decrease of approximately 2.8% from approximately RMB404,079,000 for the corresponding period in the previous year. The decrease in operating revenue is mainly attributable to decrease in selling price of products.

Gross Profit

For the six months ended 30th June, 2013, the unaudited gross profit was approximately RMB32,792,000, with gross profit margin of approximately 8.35%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB38,025,000 and approximately 9.41% respectively, representing a decrease of 1.06% in gross profit margin. This was mainly due to decrease in selling prices of products and thus reduced gross profit.

Operating Costs and Expenses

Distribution costs for the six months ended 30th June, 2013 and the corresponding period in the previous year was approximately RMB18,888,000 and approximately RMB16,323,000 respectively, representing an increase of approximately RMB2,565,000 or approximately 15.7%. Certain expenses including transportation expense and sales related expenses increased when compared to corresponding period in the previous year.

Administrative expenses for the six months ended 30th June, 2013 and the corresponding period in the previous year was approximately RMB9,787,000 and approximately RMB9,377,000 respectively, representing an increase of approximately RMB410,000 or approximately 4.4%, which was mainly due to increase in staff welfare expense as compared to the corresponding period in the previous year.

Finance costs for the six months ended 30th June, 2013 and the corresponding period in the previous year was approximately RMB2,457,000 and approximately RMB3,745,000 respectively, a decrease of approximately RMB1,288,000 or approximately 34.4%, which was mainly resulted from the decrease of average loan amount and interest rate as compared to the corresponding period in the previous year.

For the six months ended 30th June, 2013, the Group recorded approximately RMB501,000 for the unaudited profit attributable to owners of the Company, representing a decrease of approximately RMB6,591,000 or approximately 92.9% from approximately RMB7,092,000 for the corresponding period in the previous year. This was mainly attributable to the decrease in product price and general increase in operating costs.

Prospect

Profit of the Group declined as affected by intensifying industry competition. Directors of the Group believes that increased industrial competition is benefit for elimination of certain entities producing low quality products, and the Group could take this opportunity to expand its presence in the market and thus to improve business efficiency.

Liquidity, financial resources and capital structure

During the period, the Group raised funding principally from cash generated from its business operations and banking facilities. The short-term borrowings of the Group were approximately RMB100,000,000 and RMB50,000,000 as at 31st December, 2012 and as at 30th June, 2013 respectively, which were used principally for the daily operations of the Group. All bank borrowings of the Group as at 30th June, 2013 are at fixed interest rate of 6% per annum. The Group's exposure to interest rate risk is minimal as all bank borrowings are denominated in RMB. The borrowings of the Group are due within one year.

As at 30th June, 2013, the Group had debt asset ratio (which is defined as total liabilities over total assets) of approximately 34.74% (as at 31st December, 2012: approximately 33.73%). This is primarily due to increase in receipts in advance during the period. 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 period ended 30th June, 2013.

Contingent Liabilities

As at 30th June, 2013, the Group had no significant contingent liabilities.

Foreign currency exposure

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

Employee and salary policies

The Directors consider 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 30th June, 2013, the Group had 1,038 full-time 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 staff, whereby the Group is required to make monthly contributions to these schemes. The Company 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 Company in connection with these retirement benefit plans were approximately RMB6,416,000 for the six months ended 30th June, 2013.

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\$1,250 in respect of each employee) on a monthly basis to the fund. The accrued benefits are all vested to the employees. The expenses arising from the provident fund of the Company for the six months ended 30th June, 2013 were HK\$7,500.

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 staff members shall make contribution to a housing pension for the establishment of a housing pension scheme. Both the housing pensions contributed by each staff member and by their respective units are vested to the staff members. The percentage of the housing pension contributed by the staff members and their units shall not be less than 5% of the average monthly wages of such staff members of the previous financial year. Such contribution may be varied with those cities with better conditions. The housing pension scheme is mandatory.

Future plan for material investment

As at 30th June, 2013, the Group had no material investment plan.

Material acquisitions and disposals

For the six months ended 30th June, 2013, the Group had no material acquisitions nor disposals of subsidiaries and associated companies.

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

As at 30th June, 2013, none of the Directors, supervisors (the “Supervisors”) and chief executive of the Company were interested in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of dealings by Directors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executive 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.

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

(A) Domestic Shareholders

As at 30th June, 2013, 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 Directors, Supervisors or chief executive) had notified the Company of relevant interests or short positions in the Shares or underlying Shares of the Company:

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

Notes:

1. "L" denotes the person's/entity's long positions in the Shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued Shares of 519,521,560 Shares (including domestic Shares and H Shares).
3. The domestic Shares held by Tianye Company represent approximately 63.75% of the total domestic Shares in issue.
4. 202,164,995 domestic Shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings, which is interested in approximately 43.27% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic Shares held by Tianye Company.

(B) H Shareholders

Name of shareholders	Capacity	Number of H Shares of the Company held <i>(Note 1)</i>	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Long Thrive Holdings <i>(Note 3)</i>	Beneficial owner	15,967,000(L)	7.89%	3.07%
Tang Hongjian (“Mr. Tang”) <i>(Note 4)</i>	Interest in controlled corporation	15,967,000(L)	7.89%	3.07%
Liu Zhonghui (“Ms. Liu”) <i>(Note 5)</i>	Interest of spouse	15,967,000(L)	7.89%	3.07%

Notes:

1. The letter “L” denotes the person’s/entity’s long positions in the Shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued Shares of 519,521,560 Shares (including domestic Shares and H Shares).
3. The H Shares held by Long Thrive were equivalent to approximately 7.89% of the total H Shares in issue of the Company.
4. Long Thrive directly held 15,967,000 H Shares in the Company. Long Thrive is wholly owned by Mr. Tang. By virtue of the SFO, Mr. Tang is deemed to be interested in the 15,967,000 H Shares held by Long Thrive.
5. Ms. Liu is the spouse of Mr. Tang. By virtue of SFO, Ms. Liu is deemed to be interested in the 15,967,000 H Shares held by Long Thrive.

Save as disclosed above, as at 30th June, 2013, the Directors, Supervisors and chief executive of the Company were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN COMPETING BUSINESS

For the six months ended 30th June, 2013, the Directors are not aware of any business or interests 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including reviewing the unaudited interim financial accounts.

CODE ON CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence of shareholders and the public in the Group. Throughout the six months ended 30th June, 2013, the Group has complied with the requirements of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors of the Company. Following specific enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standard under the Model Code for the six months ended 30th June, 2013.

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 OF REDEMPTION OF SHARES

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities for the six months ended 30th June, 2013.

By order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Li Shuang Quan
Chairman

Xinjiang, the PRC, 9th August, 2013

* *For identification purpose only*