



新疆天业节水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION
SYSTEM COMPANY LIMITED*

Stock Code: 840

2013
Annual Report



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Corporate Information

DIRECTORS

Executive Directors

Mr. Li Shuang Quan (*Chairman*)
Mr. Zhu Jia Ji
Mr. Shao Mao Xu
Mr. Chen Lin
Mr. Zhang Qiang (appointed on 31st May, 2013)
Mr. Shi Xiang Shen (resigned on 31st May, 2013)
Mr. Yin Xiu Fa (resigned on 31st May, 2013)

Independent non-executive Directors

Mr. Yin Feihu (appointed on 31st May, 2013)
Mr. Qin Ming (appointed on 31st May, 2013)
Mr. Cao Jian (appointed on 31st May, 2013)
Mr. Mak King Sau
Mr. He Lin Wang (retired on 31st May, 2013)
Mr. Xia Jun Min (retired on 31st May, 2013)
Mr. Gu Lie Feng (retired on 31st May, 2013)
Mr. Wang Yun (retired on 31st May, 2013)

SUPERVISORS

Mr. Han Pan (appointed on 31st May, 2013)
Mr. He Jie
Mr. Zhou Qian
Ms. Ni Mei Lan (retired on 31st May, 2013)
Mr. Huang Jun Lin (retired on 31st May, 2013)

QUALIFIED ACCOUNTANT

Ms. Chow Yuk Lan

COMPANY SECRETARY

Ms. Chow Yuk Lan

COMPLIANCE OFFICER

Mr. Zhang Qiang

AUDIT COMMITTEE

Mr. Qin Ming (*Chairman*)
Mr. Cao Jian
Mr. Yin Feihu
Mr. He Lin Wang (*Chairman*)
(retired on 31st May, 2013)
Mr. Xia Jun Min (retired on 31st May, 2013)
Mr. Gu Lie Feng (retired on 31st May, 2013)

COMPLIANCE COMMITTEE

Mr. Chen Lin (*Chairman*)
Mr. Qin Ming
Mr. Cao Jian
Mr. Yin Feihu
Mr. Shi Xiang Shen (*Chairman*)
(resigned on 31st May, 2013)
Mr. He Lin Wang (retired on 31st May, 2013)
Mr. Gu Lie Feng (retired on 31st May, 2013)
Mr. Xia Jun Min (retired on 31st May, 2013)

REMUNERATION COMMITTEE

Mr. Yin Feihu (*Chairman*)
Mr. Qin Ming
Mr. Cao Jian
Mr. Zhang Qiang
Mr. He Lin Wang (*Chairman*)
(retired on 31st May, 2013)
Mr. Xia Jun Min (retired on 31st May, 2013)
Mr. Gu Lie Feng (retired on 31st May, 2013)
Mr. Shi Xiang Shen (resigned on 31st May, 2013)

NOMINATION COMMITTEE

Mr. Yin Feihu (*Chairman*)
Mr. Qin Ming
Mr. Cao Jian
Mr. Zhang Qiang
Mr. Li Shuang Quan
Mr. He Lin Wang (*Chairman*)
(retired on 31st May, 2013)



Mr. Xia Jun Min (retired on 31st May, 2013)
Mr. Shi Xiang Shen (resigned on 31st May, 2013)
Mr. Yin Xiu Fa (resigned on 31st May, 2013)
Mr. Gu Lie Feng (retired on 31st May, 2013)

AUDITOR

Pan-China Certified Public Accountants LLP
4/F-10/F, Xinhua Commercial Tower
128 Xixi Road
Hangzhou
People's Republic of China ("PRC")

HONG KONG LEGAL ADVISER

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

Peter C. Wong, Chow & Chow
Suites 1604-06, 16/F
ICBC Tower
3 Garden Road
Central
Hong Kong

REGISTERED OFFICE

No. 36, Bei San Dong Road
Shihezi Economic and
Technological Development Zone
Shihezi
Xinjiang
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2209, 22/F
Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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, 2013.

BUSINESS REVIEW

- Operating income for the year ended 31st December, 2013 was approximately RMB691,547,000, a decrease of approximately 9.35% from 2012;
- Net profit attributable to owners of the Company was approximately RMB3,609,000, an increase of approximately 12.39% from 2012;
- Basic and diluted earnings per share for the year was approximately RMB0.01 (2012: approximately RMB0.01).

PROSPECT

During the reporting period, the Chinese government continued to implement its encouragement policies for irrigation and water conservancy project. However, funds arrived late in some regions due to the slowdown of the speed of economic growth, which affected the commencement of the project. In addition, affected by the fierce competition in the industry, the selling price of the Group's products dropped and resulted in the decrease of sales income.

The directors of the Group believe that China's economic growth will slow down in the coming two years. In response to the changing environment, the Group will focus on developing customers with high credit rating, and apply prudent financial policies to ensure the Group a solid cash flow.

As the Government conducted stricter supervision on the agricultural water-saving projects, the directors of the Group believe that with our concept of "developing affordable and applicable water-saving equipment to farmers" as well as our pragmatic operating style, the Group is better positioned to seize the chance to expand its market share in this environment, and to achieve a solid development.



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 staff members of the Group for their hard work and contribution to the Group.

Yours sincerely,

Handwritten signature of Li Shuang Quan.

Li Shuang Quan

Chairman of the Board

Xinjiang, the PRC
25th March, 2014



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.



CHANGE IN ACCOUNTING STANDARDS

The Company prepared its financial statements according to relevant requirements under both the Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants and the Accounting Standards for Business Enterprises (“**ASBE**”) issued by the Ministry of Finance of the PRC for the year ended 31 December 2011 and previous years, and disclosed its financial statements prepared under the HKFRS on the Hong Kong Stock Exchange.

According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” which was published by the Stock Exchange in December 2010, from 1 January 2012, the Company prepared its financial statements under the ASBE alone, rather than the HKFRS, and disclosed its financial statements prepared under the ASBE on the Hong Kong Stock Exchange. As the Company is incorporated in the Mainland, the Company believes the financial statements prepared under the ASBE comply with the Listing Rules and the disclosure requirements and are in the best interest of the Company.

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2013, operating income of the Group was approximately RMB691,547,000, a decrease of approximately 9.35% from approximately RMB762,837,000 for the year ended 31st December, 2012.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2013 and 31st December, 2012 by products:

Category	For the year ended 31st December, 2013		For the year ended 31st December, 2012		Year-on-year percentage change
	Operating income RMB'000	% to total Operating income %	Operating income RMB'000	% to total Operating income %	
Drip films and drip assemblies	346,749	50.14	477,943	62.65	(27.45)
PVC/PE pipelines	308,838	44.66	279,398	36.63	10.54
Provision of installation services	28,569	4.13	5,496	0.72	419.81
Other operating income	7,391	1.07	—	0.00	100.00
Total	691,547	100.00	762,837	100.00	



Management Discussion and Analysis

The change in operating income for the year ended 31st December, 2013 was mainly attributable to intensified market competition and decreased selling prices. For the year ended 31st December, 2013, sales of drip films and drip assemblies decreased by approximately 27.45% to approximately RMB346,749,000, while sales of PVC/PE pipelines increased by approximately 10.54% to approximately RMB308,838,000. At the same time, the sales volume of drip films and drip assemblies decreased from approximately 36,307 tonnes for the year ended 31st December, 2012 to approximately 27.230 tonnes for the year ended 31st December, 2013, while the sales volume of PVC/PE pipelines increased from approximately 41,027 tonnes for the year ended 31st December, 2012 to approximately 47,799 tonnes for the year ended 31st December, 2013. The increase in the sales volume of PVC/PE pipelines was mainly attributable to reliable quality which lead to growth in demand for the products.

Cost of sales

For the year ended 31st December, 2013, cost of sales of the Group was approximately RMB614,890,000, a decrease of approximately 9.62% from approximately RMB680,333,000 for the year ended 31st December, 2012. Costs of sales for the year ended 31st December, 2013 comprised direct materials costs of approximately RMB527,699,000, direct labour costs of approximately RMB48,207,000 and production overhead of approximately RMB38,984,000, which accounted for approximately 85.82%, 7.84% and 6.34%, respectively, of the total costs of sales for the year under review. Costs of sales for the year ended 31st December, 2012 comprised direct materials costs of approximately RMB581,140,000, direct labour costs of approximately RMB49,936,000 and production overhead of approximately RMB49,257,000, which accounted for approximately 85.42%, 7.34% and 7.24%, respectively, of the total costs of sales for 2012.

Non-operating income

For the year ended 31st December, 2013, non-operating income was approximately RMB1,128,000 and consisted primarily of trade payables written off and gain on disposal of fixed assets; comparing to the amount of approximately RMB2,321,000 for the year ended 31st December, 2012, amount mainly represented trade payables written off and government grants.

Distribution costs

Distribution costs were approximately RMB41,060,000 for the year ended 31st December, 2013, representing a decrease of approximately 11.73% from the previous year. The amount accounted for approximately 5.94% of the total operating income for the year ended 31st December, 2013, which was lower than its share of total operating income of approximately 6.10% in the previous year. Distribution costs mainly comprised transportation costs and salaries expenses, etc. For the year ended 31st December, 2013, salaries expenses and transportation costs decreased by approximately 11.06% and 4.51% to approximately RMB12,736,000 and RMB10,029,000, respectively.



Administrative expenses

Administrative expenses increased by approximately 2.98% to approximately RMB20,855,000 for the year ended 31st December, 2013. The amount accounted for approximately 3.02% of total operating income for the year ended 31st December, 2013, which was higher than its share of total operating income of approximately 2.65% in the previous year. For the year ended 31st December, 2013, administrative expenses mainly comprised salaries and tax expenses.

Operating profits

As a result of the factors discussed above, the Group's operating profits for the year ended 31st December, 2013 was approximately RMB4,837,000, representing a decrease of approximately 20.54% from approximately RMB6,087,000 for the corresponding period in the previous year. The Group's gross operating margin (expressed as a percentage of operating profits over the Group's operating income) was approximately 0.80% and 0.70% for the years ended 31st December, 2012 and 2013, respectively.

Finance costs

Finance costs for the year ended 31st December, 2013 amounted to approximately RMB3,660,000, representing a decrease of 31.06% as compared to the corresponding period in the previous year. The decrease in finance costs was mainly resulted from the decrease in average loan amount during the year.

Net profit attributable to owners of the Company

As a result of the factors discussed above, the net profit attributable to owners of the Company increased by approximately 12.39%, from approximately RMB3,211,000 for the year ended 31st December, 2012 to approximately RMB3,609,000 for the year ended 31st December, 2013. For the two years ended 31st December, 2012 and 2013, the Group's net profit margins were approximately 0.42% and 0.52%, respectively.

FUTURE PROSPECT

During the reporting period, the Chinese government continued to implement its encouragement policies for irrigation and water conservancy project. However, funds arrived late in some regions due to the slowdown of the speed of economic growth, which affected the commencement of the project. In addition, affecting by the fierce competition in the industry, the selling price of the Group's products dropped and resulted in the decrease of sales income.

The directors of the Group believe that China's economic growth will slow down in the coming two years. In response to the changing environment, the Group will focus on developing customers with high credit rating, and apply prudent financial policies to ensure the Group a solid cash flow.



Management Discussion and Analysis

As the Government conducted stricter supervision on the agricultural water-saving projects, the directors of the Group believe that with our concept of “developing affordable and applicable water-saving equipment to farmers” as well as our pragmatic operating style, the Group is better positioned to seize the chance to expand its market share in this environment, and to achieve a solid development.

INDEBTEDNESS

Borrowings

As at 31st December, 2013, the Group had outstanding bank loans of zero (2012: RMB100,000,000).

As at 31st December, 2012, the Group's borrowings amounted to RMB50,000,000 (2013: Zero) and RMB50,000,000 (2013: Zero) were secured by the corporate guarantees given by Xinjiang Tianye (Group) Limited (“**Tianye Holdings**”) and Xinjiang Tianye Company Limited (“**Tianye Company**”) respectively.

All guarantees as at 31st December, 2012 provided by Tianye Holdings were released on or before 25th December, 2013.

All guarantees in respect of the Group's borrowings of RMB50,000,000 as at 31st December, 2012 provided by Tianye Company were released on or before 28th May, 2013.

Commitments

As at 31st December, 2013, the Group had contracted but not provided for capital commitments of RMB1,567,000 (2012: RMB7,130,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2013 were approximately 2.79 and 0.72, respectively, representing an increase of 0.33 and 0.02 respectively when compared to 31st December, 2012. This is primarily due to decrease in bank borrowings 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, 2013, 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 RMB14,333,000 (2012: approximately RMB6,091,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2013, the gearing ratio (which is defined as total borrowings over total equity) of the Group was approximately zero (2012: 13.70%). 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, 2013.

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, 2013, the Group had no contingent liabilities (2012: Nil).

Exposure to fluctuations in exchange rates and related hedges

The Group's present operations are mainly carried on in the PRC and all of the Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"). During the year under review, 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 2012 and 2013.



Management Discussion and Analysis

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, 2013, the Group had 1,169 employees (2012: 1,258).

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 RMB1,828,000 for the year ended 31st December, 2013.

The Group provides its staff in Hong Kong with a provident fund scheme in compliance with the Mandatory Provident Fund Schemes 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.

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 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 member 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

During the period, Shihezi Development Zone Tianye Water Saving Engineering Installation Co., Ltd* (石河子開發區天業節水工程安裝有限責任公司), a subsidiary of the Company, finished its liquidation as at 20 December 2013. Thus it will not be included in the consolidated financial statement from the date of its liquidation.



During the period, Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司), a subsidiary of the Company, established a liquidation team and conducted liquidation procedure after the shareholders' negotiation as at 31 May 2013. Thus it will not be included in the consolidated financial statements from the date of setting up liquidation team.

Other than disclosed above, for the year ended 31st December, 2013, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

MATERIAL INVESTMENTS

Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司) was established by the Company during the period, and the registration procedure required by the Industrial and Commercial Administration was properly completed and the business license was obtained at 2 September 2013, with the registration No. of 211241000011698. The registered capital of the Company was RMB10,000,000.00, while the Company contributed RMB10,000,000.00, accounting for 100.00% of its registered capital and substantially control over it, thus the subsidiary was included in the Company's consolidated financial statements from its establishment.

Other than disclosed above, for the year ended 31st December, 2013, the Group had no material investments (2012: Nil).

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from Saturday, 3rd May, 2014 to Friday, 23rd May, 2014 (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 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, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (before 31st March 2014); Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (on or after 31st March 2014) as soon as practicable and in any event not later than 4 p.m. on Friday, 2nd May, 2014.



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, 2013.

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, 2013, the Group has complied with the code provisions in the “Corporate Governance Code and Corporate Governance Report” (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 nine directors (the “**Director(s)**”), including five executive Directors and four independent non-executive Directors, as at 31st December, 2013. 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 25 to 28 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 quarterly, interim and annual results. The Board shall meet, at least, four times a year and extraordinary meetings may be held as required. The full Board met in person and met five times for the financial year ended 31st December, 2013. 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		
Li Shuang Quan (<i>chairman of the Board, hereinafter referred to as the "Chairman"</i>)	5/5	100%
Zhang Qiang (appointed on 31st May, 2013)	3/5	60%
Zhu Jia Ji	5/5	100%
Shao Mao Xu	5/5	100%
Chen Lin	5/5	100%
Shi Xiang Shen (resigned on 31st May, 2013)	3/5	60%
Yin Xiu Fa (resigned on 31st May, 2013)	2/5	40%
Independent Non-executive Directors		
Qin Ming (appointed on 31st May, 2013)	3/5	60%
Cao Jian (appointed on 31st May, 2013)	3/5	60%
Yin Feihu (appointed on 31st May, 2013)	3/5	60%
Mak King Sau	5/5	100%
He Lin Wang (retired on 31st May, 2013)	2/5	40%
Xia Jun Min (retired on 31st May, 2013)	2/5	40%
Gu Lie Feng (retired on 31st May, 2013)	2/5	40%
Wang Yun (retired on 31st May, 2013)	2/5	40%



Corporate Governance Report

During the Board Meetings, the Directors discussed and formulated the overall strategies of the Group, monitored financial performances and discussed the annual, quarterly 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 ("**Remuneration Committee**"), the nomination committee ("**Nomination Committee**"), the audit committee ("**Audit Committee**") and the compliance committee ("**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. Li Shuang Quan and the Chief Executive Officer of the Group is Mr. Zhang Qiang. 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 work 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

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

The participation by individual directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2013 is recorded in the table below.

	Reading materials/in house briefing	Attending seminars/ conferences/forums
Executive Directors		
Li Shuang Quan	✓	✓
Zhang Qiang (appointed on 31st May, 2013)	✓	✓
Zhu Jia Ji	✓	✓
Shao Mao Xu	✓	✓
Chen Lin	✓	✓
Yin Xiu Fa (resigned on 31st May, 2013)	✓	✓
Shi Xiang Shen (resigned on 31st May, 2013)	✓	✓
Independent Non-executive Directors		
Qin Ming (appointed on 31st May, 2013)	✓	✓
Cao Jian (appointed on 31st May, 2013)	✓	✓
Yin Feihu (appointed on 31st May, 2013)	✓	✓
Mak King Sau	✓	✓
He Lin Wang (retired on 31st May, 2013)	✓	✓
Gu Lie Feng (retired on 31st May, 2013)	✓	✓
Xia Jun Min (retired on 31st May, 2013)	✓	✓
Wang Yun (retired on 31st May, 2013)	✓	✓

COMPANY SECRETARY

Under Rule 3.29 of the Listing Rules, Ms. Chow Yuk Lan received more than 15 hours of relevant professional training for the year ended 31 December 2013.



Directors' Insurance

The Company has arranged appropriate insurance cover in respect of the legal action against 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 and supervisors of the Company. Following specific enquiry made by the Company, all Directors and supervisors of the Company have confirmed that they have complied with the required standards under the Model Code for the year ended 31st December, 2013.

REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. Yin Feihu, an independent non-executive Director, Mr. Zhang Qiang, an executive Director and other two members include Mr. Qin Ming and Mr. Cao Jian, 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, 2013, the Remuneration Committee held one meeting. The individual attendance records of each member are as follows:

Attendants	Number of Meetings	
	Attended/Total	Percentage
Yin Feihu (<i>Chairman</i>) (appointed on 31st May, 2013)	1/1	100%
Zhang Qian (appointed on 31st May, 2013)	1/1	100%
Qin Ming (appointed on 31st May, 2013)	1/1	100%
Cao Jian (appointed on 31st May, 2013)	1/1	100%
Shi Xiang Shen (resigned on 31st May, 2013)	0	0%
He Lin Wang (retired on 31st May, 2013)	0	0%
Xia Jun Min (retired on 31st May, 2013)	0	0%
Gu Lie Feng (retired on 31st May, 2013)	0	0%



For the year ended 31st December, 2013, 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 Board formally adopted a Board Diversity Policy in September 2013 which seeks to recognise the terms of the relevant new code provision of the Stock Exchange Code which came into effect on 1 September 2013.

The Chairman of the Nomination Committee is Mr. Yin Feihu, an independent non-executive Director, and other members include Mr. Li Shuang Quan and Mr. Zhang Qiang, both being the executive Directors, Mr. Qin Ming and Mr. Cao Jian, 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. In respect of the policy concerning Board diversity, the Nomination Committee will take into account of the Group's business model and specific needs, and consider, among other things, the educational background, professional and business experience, profile, gender and age diversity of the Board as well as the suitability for the businesses of the Group in its selection of candidates. 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 also evaluate potential candidates by considering factors such as relevant experience, personal ethics and integrity.

For the year ended 31st December, 2013, the Nomination Committee held two meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings	
	Attended/Total	Percentage
Yin Feihu (<i>Chairman</i>) (appointed on 31st May, 2013)	1/2	50%
Li Shuang Quan (appointed on 31st May, 2013)	1/2	50%
Zhang Qiang (appointed on 31st May, 2013)	1/2	50%
Qin Ming (appointed on 31st May, 2013)	1/2	50%
Cao Jian (appointed on 31st May, 2013)	1/2	50%
Shi Xiang Shen (resigned on 31st May, 2013)	1/2	50%
Yin Xiu Fa (resigned on 31st May, 2013)	1/2	50%
Xia Jun Min (retired on 31st May, 2013)	1/2	50%
Gu Lie Feng (retired on 31st May, 2013)	1/2	50%
He Lin Wang (retired on 31st May, 2013)	1/2	50%



Corporate Governance Report

During the year ended 31 December 2013, the Nomination Committee reviewed the established policy and procedure for the nomination and appointment of new Directors, and assessed the independence of the independent non-executive Directors. The Nomination Committee, having reviewed the structure, size, composition and diversity of the Board including the background, experience, balance of skills, age and gender of each Director in respect to the Group's business strategy as well as the structure for the rotation of Directors, considered that the existing arrangements were appropriate.

Terms of Appointment and Re-election

All independent non-executive Directors are appointed for a specific term of three years. The Directors should be appointed at the general meeting of the Company. All Directors, including the executive and independent non-executive Directors, would retire from office and are subject to re-election at the following general meeting of the Company 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. Qin Ming, and the other members are Mr. Cao Jian and Mr. Yin Feihu, 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 auditor. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports and the auditor's 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, 2013, the Audit Committee held six meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings Attended/Total	Percentage
Qin Ming (<i>Chairman</i>) (appointed on 31st May, 2013)	4/6	66%
Cao Jian (appointed on 31st May, 2013)	4/6	66%
Yin Feihu (appointed on 31st May, 2013)	4/6	66%
He Lin Wang (retired on 31st May, 2013)	2/6	33%
Xia Jun Min (retired on 31st May, 2013)	2/6	33%
Gu Lie Feng (retired on 31st May, 2013)	2/6	33%



During the year ended 31st December, 2013, the Audit Committee reviewed the final, quarterly 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 work scope and responsibilities of the Company's external auditor are stated in the section entitled "Auditor's Report" in the annual report.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2013, the external auditor of the Company was not engaged in any non-audit services and the fee in respect of the audit services provided by the external auditor of the Company is as follows:

	2013 RMB'000	2012 RMB'000
Audit Service		
— Pan-China Certified Public Accountants LLP	650	650

COMPLIANCE COMMITTEE

The chairman of the Compliance Committee is Mr. Chen Lin, an executive Director, and other three members include Mr. Qin Ming, Mr. Cao Jian and Mr. Yin Feihu, 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, 2013, the Compliance Committee held two meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings	
	Attended/Total	Percentage
Chen Lin (<i>Chairman</i>) (appointed on 31st May, 2013)	1/2	50%
Qin Ming (appointed on 31st May, 2013)	1/2	50%
Cao Jian (appointed on 31st May, 2013)	1/2	50%
Yin Feihu (appointed on 31st May, 2013)	1/2	50%
Shi Xiang Shen (resigned on 31st May, 2013)	1/2	50%
He Lin Wang (retired on 31st May, 2013)	1/2	50%
Gu Lie Feng (retired on 31st May, 2013)	1/2	50%
Xia Jun Min (retired on 31st May, 2013)	1/2	50%



Corporate Governance Report

For the year ended 31st December, 2013, 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, 2013, 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 auditor. 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.

DIRECTOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the financial year under review, the Directors have:

- Based on a going concern basis;
- Selected suitable accounting policies and applied them consistently; and
- Made judgments and estimates that were prudent, fair and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 41 to 42.



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.

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, employs a policy of open and timely disclosure of quarterly 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, so as to ensure that shareholders' views are delivered to the Board. External auditors as well as 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, and other relevant information.

The Company also communicates with its shareholders through its annual, reports, quarterly results, announcement and interim reports. All such reports and announcements 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.



SHAREHOLDERS' RIGHTS

Pursuant to Article 8.04 of the Company's Articles of Association, one or more shareholders holding in aggregate 10% or more of the issued shares of the Company may request the Board to convene a shareholders' extraordinary general meeting, and upon receipt of such request, the Board shall convene the meeting within two months. Qualified shareholder(s) who wish(es) to request for convening a shareholders' extraordinary general meeting may send his/its/their written request(s) (together with full details of the matters to be decided at the meeting) to the Company.

Should shareholders have any enquiries or wish to put forward any proposals at any shareholders meeting, they are engaged to contact the Company by the following means:

	For holders of H Shares	For holders of Domestic Shares
Contact party:	The Company's H Share registrar and transfer office	The Company's registered office
Fax No.:	(852) 28611465	(86993) 2623183
Correspondence address:	Level 22, Hopewell Centre 183 Queen's Road East Hong Kong	36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC

AMENDMENTS TO ARTICLES OF ASSOCIATION

During the year ended 31st December, 2013, there were no changes to the Articles of Association of the Company.

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. Li Shuang Quan, aged 50, is an executive Director and Chairman of the Board. 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 from May 2007 to November 2012. 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.

Mr. Zhang Qiang, aged 40, is an executive Director and Chief Executive Officer of the Company. Mr. Zhang graduated from the Open University of China with a major in Computer Science and Technology in 2005. He obtained a senior engineer qualification certificate in 2011. Mr. Zhang joined Tianye Holdings since July 1995 and worked as production coordinator, production manager and deputy manager of Tianye Zhongfa Company Limited. He was appointed as the deputy general manager of Tianye Company in January 2009, Chief Executive Officer of the Company in November 2012 and was appointed as an executive Director of the Company in May 2013.

Mr. Zhu Jia Ji, aged 50, 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.

Mr. Shao Mao Xu, aged 55, is an executive Director and deputy general manager of the Group. Mr. Shao 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. Shao was appointed as an executive Director of the Group in June 2012.



Directors, Supervisors and Senior Management

Mr. Chen Lin, aged 38, is an executive Director. Mr. Chen graduated from Shihezi University with undergraduate qualifications and obtained a senior agricultural specialist qualifications certificate awarded by the PRC Ministry of Agriculture in October 2009. He has been engaged in agricultural water conservation research in the past 12 years and has been in charge of and participated in numerous projects on water-saving agricultural irrigation technologies. Mr. Chen is currently deputy general manager of Tianye Company. Since he joined the Group in August 2010, he has been an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Ming, aged 43, is an independent non-executive Director. Mr. Qin graduated from Xinjiang University with a major in law and has obtained qualifications as a registered accountant and a lawyer in PRC. Currently, he works in Tian Yang Law Firm and he is also the legal counsel of Xinjiang Bayi Iron & Steel Co., Ltd., Xinjiang Tianshan Wool Tex Stock Co., Ltd., and Citic Guoan Wine Company Limited. He has over 10 years of experience in legal affairs. Mr. Qin was appointed as an independent non-executive Director of the Company in May 2013.

Mr. Cao Jian, aged 63, is an independent non-executive Director. Mr. Cao graduated from Dalian Institute of Technology with a degree in Chemical Engineering. He is currently vice chairman of China Plastics Processing Industry Association. He had worked as manager of Liaoning Plastic Industry Company, deputy general manager of China Light Industry Raw Materials Corporation and Zhong Qing Capital Limited. Mr. Cao was appointed as an independent non-executive Director of the Company in May 2013.

Mr. Yin Feihu, aged 60, is an independent non-executive Director. A member of the Chinese Communist Party, Mr. Yin graduated from China Agricultural University with a master degree in agricultural extension (MAE) and education background in agriculture, chemical engineering, computer and economic management. Currently, Mr. Yin is party secretary, vice president, and research associate with Xinjiang Academy of Agricultural And Reclamation Science, as well as a member of the International Geosphere-Biosphere Programme (IGBP), China National Committee, a director of Soil Science Society of China, managing director of Chinese Society of Plant Nutrition And Fertilizer Sciences, deputy director of National Cotton Processing Engineering Technology Research Center, vice chairman of Xinjiang Academy of Agricultural Sciences, vice chairman of Xinjiang Soil And Fertilizer Association, chairman of the Society of Plant Nutrition And Fertilizer Science, Xinjiang Production and Construction Corps, a doctoral tutor with China Agricultural University. He engaged in agricultural research for more than 30 years. Mr. Yin was appointed as an independent non-executive Director of the Company in May 2013.



Mr. Mak King Sau, aged 39, 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. Mr. Mak was general manager of Sino-Life (Hong Kong) Limited (a wholly-owned subsidiary of Sino- Life Group Limited) (stock code: 8296) from November 2010 to May 2012. Mr. Mak is also an independent non-executive director of Travel Expert (Asia) Enterprises Limited, a company listed on the Stock Exchange of Hong Kong Limited (stock code: 1235). He was appointed as an independent non-executive Director of the Company since October 2007.

SUPERVISORS

Mr. Han Pan, aged 30, is a supervisor and the Chairman of Supervisory Committee of the Company. Mr. Han graduated from Henan Police Academy in July 2006 with a major in administrative law affairs. He worked in Shihezi Municipal Communist Youth League and Tianchen Chemical Company Limited. He joined the Group in January 2012 and served as deputy party secretary. He has over 6 years of experience in business administration management. Mr. Han was appointed as a worker representative supervisor of the Company in May 2013.

Mr. He Jie, aged 68, 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 of the Company since he joined the Group in April 2005.

Mr. Zhou Qian, aged 42, is a supervisor of the Company. Mr. Zhou graduated from the Xinjiang Institute of Finance (新疆財經學院) majoring in financial professional, has more than 18 years' experience in financial management, having served as the head of audit department in Tianye Company and financial controller of Hami Tianye Hongxing Water Saving Irrigation System Limited (哈密天業紅星節水灌溉有限公司). Mr. Zhou has been a supervisor of the Company since he joined the Group on 18 August 2010.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Chow Yuk Lan, aged 39, 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.



Directors, Supervisors and Senior Management

COMPLIANCE OFFICER

Mr. Zhang Qiang, is an executive Director. He 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.

SENIOR MANAGEMENT

Mr. Chen Jun, aged 50, 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 45, 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 42, 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. Li He, aged 37, 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.

Mr. Yang Wan Sen, aged 40, graduated from Xinjiang Finance and Economic College with major in marketing professional. Mr. Yang was awarded economist qualification certificate by the personnel bureau of Xinjiang Production and Construction Regiment in June 2006. He joined the Group in September 2001 and has been a deputy general manager of the Company since October 2011.

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, 2013.

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 1 of part IV to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of comprehensive income on page 47 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2013 (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB8,113,000 on acquiring new plants and machines, and approximately RMB18,075,000 on construction in progress. Details of the above and of other movements in construction in progress and the property, plant and equipment of the Group for the year are set out in note 9 to note 10 of section 1 of part V 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 24 of section 1 of part V to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company’s reserves available for distribution to Shareholders is the retained profits as stated in the financial statements of the Company prepared in accordance with the “Enterprise Accounting Standards – Basic Standards” promulgated by the Ministry of Finance. As at 31st December, 2013, the Company’s reserves available for distribution to shareholders represent its retained profits of approximately RMB132,117,000 (2012: retained profits of approximately RMB133,843,000).



Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2013, sales to the largest customer and the five largest customers of the Group accounted for approximately 6% and 16% (2012: 6% and 18%) of the total turnover of the Group, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 26% and 63% (2012: 33% and 64%) 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. Li Shuang Quan (*chairman of the Board, hereinafter referred to as the "**Chairman**"*)

Mr. Zhang Qiang (appointed on 31st May, 2013)

Mr. Zhu Jia Ji

Mr. Shao Mao Xu

Mr. Chen Lin

Mr. Shi Xiang Shen (resigned on 31st May, 2013)

Mr. Yin Xiu Fa (resigned on 31st May, 2013)

Independent non-executive Directors:

Mr. Qin Ming (appointed on 31st May, 2013)

Mr. Cao Jian (appointed on 31st May, 2013)

Mr. Yin Feihu (appointed on 31st May, 2013)

Mr. Mak King Sau

Mr. He Lin Wang (retired on 31st May, 2013)

Mr. Xia Jun Min (retired on 31st May, 2013)

Mr. Gu Lie Feng (retired on 31st May, 2013)

Mr. Wang Yun (retired on 31st May, 2013)

Supervisors:

Mr. Han Pan (appointed on 31st May, 2013)

Mr. He Jie

Mr. Zhou Qian

Ms. Ni Mei Lan (retired on 31st May, 2013)

Mr. Huang Jun Lin (retired on 31st May, 2013)



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. 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).

CONFIRMATION OF INDEPENDENCE 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.



Report of the Directors

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

As at 31st December, 2013, none of the Directors, supervisors (the “**Supervisors**”) and chief executive of the Company has any interests and short positions 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 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 Listing Rules, to be notified to the Company and the Stock Exchange.

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 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.

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) Domestic Shareholders

As at 31st December, 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 and 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:

- "L" denotes the person's/entity's long position in the Shares.
- 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).
- The domestic Shares held by Tianye Company represents approximately 63.75% of the total domestic Shares in issue.
- 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.



Report of the Directors

(B) H Shareholders

Name of shareholders	Capacity	Number of H Shares of the Company held (Note 1)	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings (Notes 3)	Beneficial owner	15,967,000(L)	7.90%	3.07%
Tang Hongjian ("Mr. Tang") (Note 4)	Interest in controlled corporation	15,967,000(L)	7.90%	3.07%
Liu Zhonghui ("Ms. Liu") (Note 5)	Interest of spouse	15,967,000(L)	7.90%	3.07%

Notes:

1. The letter "L" denotes the person's/entity's long position 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 7.90% 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 31st December, 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 and short position 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.



CONNECTED AND RELATED PARTY TRANSACTIONS

Pursuant to Rule 14A.38 of the Listing Rule, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has 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 auditor, 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 part VI – “Related Parties and Related Party Transactions” in the notes to financial statements. Save as disclosed under that part, the Group also entered into the following connected transactions/continuing connected transactions under the following arrangements:

- master purchase agreement with Tianye Holdings (a substantial Shareholder) dated 12th March, 2012, pursuant to which the Group agreed to purchase 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 15th June, 2012 to 31st December, 2014, and the price for those PVC resins will be agreed from time to time between the parties concerned by reference to the prevailing market price at the relevant time;
- master sale agreement with Tianye Holdings (a substantial Shareholder) dated 12th March, 2012, 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 drip films, PVC pipelines and drip assemblies, from time to time for a term from 12 March, 2012 to 31st December, 2014, 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 10th June, 2011 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 factory premises located at 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, 2011 to 30th June, 2014 at the rent of RMB1,455,820 per annum (including property management fee);



Report of the Directors

- lease dated 10th June, 2011 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, 2011 to 30th June, 2014 at the rent of RMB3,500 per annum (including property management fee); and
- lease dated 10th June, 2011 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, 2011 to 30th June, 2014 at the rent of RMB4,320 per annum (including property management fee).

The above-mentioned master purchase agreement and the annual caps for the three years ending 31 December 2014 were approved by an ordinary resolution of the annual general meeting of the Company held on 15th June, 2012. The details of these transactions were disclosed in the announcement of the Company dated 12th March, 2012, and the circular of the Company dated 28th March, 2012.

In respect of each of the related party transactions as listed in part VI — “Related Parties and Related Party Transactions” in the notes to 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, 2013, 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.

Details of the emoluments of the Directors and Supervisors and remuneration of the five highest paid Individual of the Company for the year are set out in note 2 to note 3 of section 4 of part VI to the consolidated financial statements in this annual report.



SENIOR MANAGEMENT EMOLUMENT

For the year ended 31 December 2013, senior management of the Company comprises 5 individuals.

The emoluments of senior management fell within the following bands:

Emolument band	Number of individuals For the year ended 31 December 2013
RMB0 – RMB1 million	5

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 14 to 24 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 ended 31st December 2013.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2013.

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.



Report of the Directors

AUDITOR

The consolidated financial statements for the year have been audited by Pan-China Certified Public Accountants LLP (“Pan China”). On 27th January, 2011, the Shareholders approved the appointment of Pan-China (H.K.) CPA Limited (“Pan China (H.K.)”) as the auditor of the Company and its subsidiaries to fill the vacancy following the resignation of SHINEWING (HK) CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company. Pan China (H.K.) was reappointed as the auditor of the Company at the annual general meeting of the Company held on 19th May, 2011.

On 27th April, 2012, the Company announced the agreement with Pan-China and Pan-China (H.K.) to transfer the audit engagement of the Group for the financial year ending 31st December, 2012 from Pan-China (H.K.) to Pan-China. At annual general meeting of the Company held on 15th June, 2012, the Shareholders approved the appointment of Pan-China as the auditor of the Company following the resignation of Pan-China (H.K.) on 26th April, 2012.

At the annual general meeting held on 31st May, 2013, the Shareholders approved the re-appointment of Pan-China as the auditor of the Company for the year of 2013, and the Board was authorised to fix their remunerations.

Pan-China will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Save as disclosed above, there was no change of auditor of the Company in any of the three preceding years.

A resolution will be submitted in the forthcoming annual general meeting to re-appoint Pan-China as the auditor of the Group.

By Order of the Board

Mr. Li Shuang Quan

Chairman

Xinjiang, PRC
25th March, 2014

Report of the Supervisory Committee



To: All Shareholders

During the year ended 31st December, 2013 (“**Year 2013**”), 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 Year 2013, 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 2013 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 compliance 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 Year 2013 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 along with the increasing awareness of China government for the construction of farmland water conservancy facility, the Supervisory Committee has great confidence 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

Han Pan

Chairman of the Supervisory Committee

Xinjiang, the PRC
25th March, 2014



Pan-China Audit [2014] No. 3-71

To the shareholders of Xinjiang Tianye Water Saving Irrigation System Company Limited:

We have audited the accompanying financial statements of Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as "Tianye Water"), which comprise the consolidated balance sheet and the balance sheet of the Parent Company as at 31 December 2013, the consolidated income statement and the income statement of the Parent Company, the consolidated statement of cash flows and the statement of cash flows of the Parent Company, the consolidated statement of changes in equity of owners and the statement of changes in equity of owners of the Parent Company for the year of 2013, as well as the notes to financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Tianye Water is responsible for the preparation and fair presentation of financial statements. Such responsibility includes: (1) preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises to ensure fair presentation; (2) the design, implementation and maintenance of necessary internal controls so that the financial statements are free from material misstatement whether due to fraud or error.

II. RESPONSIBILITY OF THE CERTIFIED PUBLIC ACCOUNTANT

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the China standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of the financial statements and the presentation of fair value 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 the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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



Auditor's Report

III. OPINION

In our opinion, the financial statements of Tianye Water have been prepared in accordance with the Accounting Standards for Business Enterprises, and present fairly, in all material aspects, the consolidated financial position and the financial position of the Parent Company as at 31 December 2013 and the consolidated financial performance and cash flows and those of the Parent Company for the year of 2013.

Pan-China Certified Public Accountants LLP Certified Public Accountant:

Certified Public Accountant:

Hangzhou, the People's Republic of China

12 March 2014

Consolidated Statement of Financial Position

As at 31 December 2013



AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Notes	Closing balance RMB	Opening balance RMB
Current assets:			
Cash	1	99,142,903.73	111,742,324.15
Bill receivables	2	4,390,000.00	2,850,000.00
Trade receivables	3	75,901,644.70	132,920,975.31
Prepayments	4	18,665,483.60	16,720,944.27
Other receivables	5	29,108,428.16	16,367,505.81
Inventories	6	585,410,041.20	594,536,112.40
Other current assets	7	1,185,653.65	3,711,731.76
Total current assets		813,804,155.04	878,849,593.70
Non-current assets:			
Investment property	8	8,790,168.15	9,117,375.63
Fixed assets	9	186,159,065.15	162,498,571.21
Construction in progress	10	10,015,441.50	31,624,135.66
Construction materials	11	0	103,397.78
Intangible assets	12	12,543,379.99	12,840,445.81
Long-term prepaid expenses		1,308,562.74	501,843.25
Deferred income tax assets	13	988,325.03	1,188,924.72
Other non-current assets	14	0	4,506,000.00
Total non-current assets		219,804,942.56	222,380,694.06
Total assets		1,033,609,097.60	1,101,230,287.76
Current liabilities:			
Short-term borrowings	16	0	100,000,000.00
Bill payables		0	0
Trade payables	17	191,428,607.49	168,858,662.14
Receipts in advance	18	73,667,854.53	66,273,003.68
Employee remuneration payable	19	4,906,023.08	3,674,031.04
Taxes payable	20	3,260,946.74	5,332,419.69
Other payables	21	17,647,304.94	15,206,623.46
Total current liabilities		290,910,736.78	359,344,740.01



Consolidated Statement of Financial Position

As at 31 December 2013

Item	Notes	Closing balance RMB	Opening balance RMB
Non-current liabilities:			
Other non-current liabilities	22	12,050,000.00	12,050,000.00
Total non-current liabilities		12,050,000.00	12,050,000.00
Total liabilities		302,960,736.78	371,394,740.01
Equity of owners:			
Share capital	23	519,521,560.00	519,521,560.00
Capital reserve	24	15,372,472.17	15,372,472.17
Surplus reserves	25	34,746,526.80	34,746,526.80
Retained profits	26	145,785,516.13	142,176,550.82
Total equity attributable to owners of the Company		715,426,075.10	711,817,109.79
Minority interests		15,222,285.72	18,018,437.96
Total equity of owners		730,648,360.82	729,835,547.75
Total liabilities and equity of owners		1,033,609,097.60	1,101,230,287.76

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin

Statement of Financial Position of the Company

As at 31 December 2013



AE01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Notes	Closing balance	Opening balance
Current assets:			
Cash		63,828,941.36	64,347,372.08
Bill receivables		4,390,000.00	2,850,000.00
Trade receivables	1	50,580,237.20	99,082,861.93
Prepayments		12,682,129.30	12,902,669.80
Other receivables	2	127,614,220.12	96,793,114.15
Inventories		397,427,521.09	454,573,654.23
Other current assets		0	321,882.66
Total current assets		656,523,049.07	730,871,554.85
Non-current assets:			
Long-term equity investment	3	149,224,440.47	152,655,270.74
Investment property		8,790,168.15	9,117,375.63
Fixed assets		116,752,789.41	93,761,991.87
Construction in progress		9,975,732.50	31,624,135.66
Intangible assets		6,634,708.96	6,789,301.63
Long-term prepaid expenses		1,260,709.63	501,843.25
Deferred income tax assets		812,261.59	708,011.71
Other non-current assets		0	4,506,000.00
Total non-current assets		293,450,810.71	299,663,930.49
Total assets		949,973,859.78	1,030,535,485.34
Current liabilities:			
Short-term borrowings		0	100,000,000.00
Bill payables		0	0
Trade payables		166,643,574.34	145,220,758.62
Receipts in advance		33,112,687.51	30,374,523.75
Employee remuneration payable		3,643,486.97	2,609,867.02
Taxes payable		1,850,914.81	2,305,710.46
Other payables		27,863,169.44	31,438,499.21
Total current liabilities		233,113,833.07	311,949,359.06



Statement of Financial Position of the Company

As at 31 December 2013

Item	Notes	Closing balance	Opening balance
Non-current liabilities:			
Other non-current liabilities		12,000,000.00	12,000,000.00
Total non-current liabilities		12,000,000.00	12,000,000.00
Total liabilities		245,113,833.07	323,949,359.06
Equity of owners:			
Share capital		519,521,560.00	519,521,560.00
Capital reserve		18,474,739.46	18,474,739.46
Surplus reserve		34,746,526.80	34,746,526.80
Retained profits		132,117,200.45	133,843,300.02
Total equity of owners		704,860,026.71	706,586,126.28
Total liabilities and equity of owners		949,973,859.78	1,030,535,485.34

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013



AC02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Notes	Current period RMB	Last period RMB
1. Total operating revenue		691,547,439.35	762,836,791.23
Including: Operating income	1	691,547,439.35	762,836,791.23
2. Total operating cost		686,069,558.27	756,277,364.97
Including: Cost of sales	1	614,890,495.98	680,333,238.28
Business taxes and surcharges	2	2,552,259.38	4,020,349.34
Distribution costs	3	41,060,001.63	46,518,432.73
Administrative expenses	4	20,855,108.51	20,250,690.39
Finance costs	5	3,660,417.30	5,309,539.36
Assets impairment loss	6	3,051,275.47	-154,885.13
Add: Gain on changes in fair value (loss shall be stated as “-”)		0	0
Investment income (loss shall be stated as “-”)	7	-640,901.45	-472,500.00
Including: Investment income from associates and joint venture		0	0
3. Operating profits (loss shall be stated as “-”)		4,836,979.63	6,086,926.26
Add: Non-operating income	8	1,128,145.17	2,320,935.40
Less: Non-operating expenses	9	187,628.96	2,424,363.84
Including: Loss on disposal of non-current assets		0	0
4. Total profits (total losses shall be stated as “-”)		5,777,495.84	5,983,497.82
Less: Income tax expenses	10	2,456,839.20	2,771,197.40
5. Net profits (net loss shall be stated as “-”)		3,320,656.64	3,212,300.42
Net profit attributable to owners of the Company		3,608,965.31	3,211,391.48
Minority interests		-288,308.67	908.94
6. Earnings per share:			
(1) Basic earnings per share	11	0.01	0.01
(2) Diluted earnings per share	11	0.01	0.01
7. Other comprehensive income		0	0
8. Total comprehensive income		3,320,656.64	3,212,300.42
Total consolidated income attributable to owners of the Company		3,608,965.31	3,211,391.48
Total consolidated income attributable to minority interests		-288,308.67	908.94

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin



Statement of Comprehensive Income of the Company

For the year ended 31 December 2013

AE02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Current period	Last period
1. Operating income	622,879,725.20	638,088,329.55
Less: Cost of sales	574,977,517.72	578,995,257.91
Business taxes and surcharges	2,014,100.51	3,176,075.54
Distribution costs	25,458,436.46	33,262,810.96
Administrative expenses	12,489,743.17	12,378,339.36
Finance costs	3,738,040.11	5,392,027.14
Assets impairment loss	5,967,523.13	527,011.51
Add: Gain on changes in fair value (loss shall be stated as “-”)	0	0
Investment income (loss shall be stated as “-”) Including: Investment income from associates and joint venture	1,435,902.40 0	-472,500.00 0
2. Operating profits (loss shall be stated as “-”)	-329,733.50	3,884,307.13
Add: Non-operating income	600,580.48	1,157,411.71
Less: Non-operating expenses Including: Net loss on disposal of non-current assets	100,438.70 0	2,353,239.45 0
3. Total profits (total losses shall be stated as “-”)	170,408.28	2,688,479.39
Less: Income tax expenses	1,896,507.85	1,250,880.48
4. Net profits (net loss shall be stated as “-”)	-1,726,099.57	1,437,598.91
5. Other comprehensive income	0	0
6. Total comprehensive income	-1,726,099.57	1,437,598.91

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin

Consolidated Statement of Cash Flows

For the year ended 31 December 2013



AC03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Notes	Current period	Last period
1. Cash flow from operating activities:			
Cash received from product sales and rendering of services		820,450,332.33	793,177,628.56
Refund of taxes and levies received		0	16,801.01
Other cash received relating to operating activities	1	11,853,101.26	3,235,483.45
Sub-total of cash inflow from operating activities		832,303,433.59	796,429,913.02
Cash paid for purchase of goods and services received			
Cash paid for purchase of goods and services received		570,462,856.01	554,788,118.25
Cash paid to and on behalf of employees		88,889,596.62	82,761,610.32
Payments of all types of taxes		20,313,759.42	35,651,895.25
Other cash paid relating to operating activities	2	38,284,314.40	51,316,834.19
Sub-total of cash outflow from operating activities		717,950,526.45	724,518,458.01
Net cash flow from operating activities		114,352,907.14	71,911,455.01
2. Cash flow from investment activities:			
Cash received from disposals of investments		0	0
Cash received from returns on investments		0	0
Net cash received from disposals of fixed assets, intangible assets and other long-term assets		347,874.54	392,156.86
Sub-total of cash inflow from investment activities		347,874.54	392,156.86
Cash paid to acquire fixed assets, intangible assets and other long-term assets			
Cash paid to acquire fixed assets, intangible assets and other long-term assets		14,332,713.22	6,090,712.77
Cash paid for investments		0	0
Other cash paid relating to investment activities		0	0
Sub-total of cash outflow from investment activities		14,332,713.22	6,090,712.77
Net cash flow generated from investment activities		-13,984,838.68	-5,698,555.91



Consolidated Statement of Cash Flows

For the year ended 31 December 2013

Item	Notes	Current period	Last period
3. Cash flows from financing activities:			
Cash received from absorbing investment		840,000.00	0
Including: cash received by subsidiaries from absorbing investment of minority		840,000.00	0
Cash received from borrowings		0	120,000,000.00
Sub-total of cash inflow from financing activities		840,000.00	120,000,000.00
Cash paid for repayment of borrowings		100,000,000.00	140,000,000.00
Cash paid for dividend, profit distribution or interest expenses		4,054,888.88	5,614,565.00
Including: Dividend and profit paid to minority by subsidiaries		0	0
Sub-total of cash outflow from financing activities		104,054,888.88	145,614,565.00
Net cash flow from financing activities		-103,214,888.88	-25,614,565.00
4. Effect on cash and cash equivalents of change in foreign exchange rate		0	9.56
5. Net increase in cash and cash equivalents		-2,846,820.42	40,598,343.66
Add: Balance in cash and cash equivalents at the beginning of the period		101,989,724.15	61,391,380.49
6. Balance in cash and cash equivalents at the end of the period		99,142,903.73	101,989,724.15

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin

Statement of Cash Flows of the Company

For the year ended 31 December 2013



AE03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Current period	Last period
1. Cash flow from operating activities:		
Cash received from product sales and rendering of services	715,761,751.80	661,941,893.08
Refund of taxes and levies received	0	15,553.51
Other cash received relating to operating activities	2,841,569.61	1,285,960.46
Sub-total of cash inflow from operating activities	718,603,321.41	663,243,407.05
Cash paid for purchase of goods and services received	492,662,403.69	452,092,389.40
Cash paid to and on behalf of employees	66,902,439.61	52,642,031.62
Payments of all types of taxes and surcharges	13,788,047.40	28,866,384.57
Other cash paid relating to operating activities	21,521,565.55	40,520,774.08
Sub-total of cash outflow from operating expenses	594,874,456.25	574,121,579.67
Net cash flow from operating activities	123,728,865.16	89,121,827.38
2. Cash flow from investment activities:		
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	550,226.62	0
Sub-total of cash inflow from investment activities	550,226.62	0
Cash paid to acquire fixed assets, intangible assets and other long-term assets	9,482,633.62	2,961,727.95
Cash paid for investments	0	30,000,000.00
Net cash paid by subsidiaries and other business entity	11,260,000.00	0
Sub-total of cash outflow from investment activities	20,742,633.62	32,961,727.95
Net cash flow generated from investment activities	-20,192,407.00	-32,961,727.95



Statement of Cash Flows of the Company

For the year ended 31 December 2013

Item	Current period	Last period
3. Cash flows from financing activities:		
Cash received from borrowings	0	120,000,000.00
Sub-total of cash inflow from financing activities	0	120,000,000.00
Cash paid for repayment of borrowings	100,000,000.00	140,000,000.00
Cash paid for dividend, profit distribution or interest expenses	4,054,888.88	5,614,565.00
Sub-total of cash outflow from financing activities	104,054,888.88	145,614,565.00
Net cash flow from financing activities	-104,054,888.88	-25,614,565.00
4. Effect on cash and cash equivalents of change in foreign exchange rate	0	9.56
5. Net increase in cash and cash equivalents	-518,430.72	30,545,543.99
Add: Balance in cash and cash equivalents at the beginning of the period	64,347,372.08	33,801,828.09
6. Balance in cash and cash equivalents at the end of the period	63,828,941.36	64,347,372.08

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013



AC04

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Current period									
	Attributable to owners of the Parent Company									
	Share capital	Capital reserve	Less: Depository shares	Special reserve	Surplus reserve	General risk provision	Retained profits	Other	Minority interests	Total equity of owners
1. Closing balance of previous year	519,521,560.00	15,372,472.17	0	0	34,746,526.80	0	142,176,550.82	0	18,018,437.96	729,835,547.75
2. Opening balance of the year	519,521,560.00	15,372,472.17	0	0	34,746,526.80	0	142,176,550.82	0	18,018,437.96	729,835,547.75
3. Movements in the current period (decreases shall be stated as "-")	0	0	0	0	0	0	3,608,965.31	0	-2,796,152.24	4,461,773.80
(1) Net profits	0	0	0	0	0	0	3,608,965.31	0	-288,308.67	3,320,656.64
(2) Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Sub-total of above (1) and (2)	0	0	0	0	0	0	3,608,965.31	0	-288,308.67	3,320,656,640
(3) Owner contributions and capital reductions	0	0	0	0	0	0	0	0	-3,648,960.73	0
1. Owner contributions	0	0	0	0	0	0	0	0	-3,648,960.73	0
2. Other	0	0	0	0	0	0	0	0	0	0
(4) Profit Distribution	0	0	0	0	0	0	0	0	1,141,117.16	1,141,117.16
1. Appropriations to surplus reserve	0	0	0	0	0	0	0	0	0	0
2. Distribution to owners	0	0	0	0	0	0	0	0	1,141,117.16	0
4. Closing balance for the period	519,521,560.00	15,372,472.17	0	0	34,746,526.80	0	145,785,516.15	0	15,222,285.72	730,648,360.82

Item	Last period									
	Attributable to owners of the Parent Company									
	Paid-in capital	Capital reserve	Less: Depository shares	Special reserve	Surplus reserve	General risk provision	Retained profits	Other	Minority interests	Total equity of owners
1. Closing balance of previous year	519,521,560.00	5,372,472.17	0	0	34,602,766.91	0	139,108,919.23	0	18,017,529.02	716,623,247.33
2. Opening balance of the year	519,521,560.00	5,372,472.17	0	0	34,602,766.91	0	139,108,919.23	0	18,017,529.02	716,623,247.33
3. Movements in the current period (decreases shall be stated as "-")	0	10,000,000.00	0	0	143,759.89	0	3,067,631.59	0	908.94	13,212,300.42
(1) Net profits	0	0	0	0	0	0	3,211,391.48	0	908.94	3,212,300.42
(2) Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Sub-total of above (1) and (2)	0	0	0	0	0	0	3,211,391.48	0	908.94	3,212,300.42
(3) Owner contributions and capital reductions	0	10,000,000.00	0	0	0	0	0	0	0	10,000,000.00
1. Owner contributions	0	0	0	0	0	0	0	0	0	0
2. Other	0	10,000,000.00	0	0	0	0	0	0	0	10,000,000.00
(4) Profit Distribution	0	0	0	0	143,759.89	0	-143,759.89	0	0	0
1. Appropriations to surplus reserve	0	0	0	0	143,759.89	0	-143,759.89	0	0	0
2. Distribution to owners	0	0	0	0	0	0	0	0	0	0
4. Closing balance for the period	519,521,560.00	15,372,472.17	0	0	34,746,526.80	0	142,176,550.82	0	18,018,437.96	729,835,547.75

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin



Statement of Changes in Equity of the Company

For the year ended 31 December 2013

AE04

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Amounts in RMB

Item	Current period								Total equity of owners
	Share capital	Capital reserve	Less: Depository shares	Special reserve	Surplus reserve	General risk provision	Retained profits	Other	
1. Closing balance of previous year	519,521,560.00	18,474,739.46	0	0	34,746,526.80	0	133,843,300.02	0	706,586,126.28
2. Opening balance of the year	519,521,560.00	18,474,739.46	0	0	34,746,526.80	0	133,843,300.02	0	706,586,126.28
3. Movements in the current period (decrease shall be stated as "-")									
(1) Net profits	0	0	0	0	0	0	-1,726,099.57	0	-1,726,099.57
(2) Other comprehensive income	0	0	0	0	0	0	0	0	0
Sub-total of above (1) and (2)	0	0	0	0	0	0	-1,726,099.57	0	-1,726,099.57
(3) Owner contributions and capital reductions									
1. Owner contributions	0	0	0	0	0	0	0	0	0
2. Other	0	0	0	0	0	0	0	0	0
(4) Profit Distribution									
1. Appropriations to surplus reserve	0	0	0	0	0	0	0	0	0
4. Closing balance for the period	519,521,560.00	18,474,739.46	0	0	34,746,526.80	0	132,117,200.45	0	704,860,026.71

Item	Last period								Total equity of owners
	Paid-in capital	Capital reserve	Less: Depository shares	Special reserve	Surplus reserve	General risk provision	Retained profits	Other	
1. Closing balance of previous year	519,521,560.00	8,474,739.46	0	0	34,602,766.91	0	132,549,461.00	0	695,148,527.37
2. Opening balance of the year	519,521,560.00	8,474,739.46	0	0	34,602,766.91	0	132,549,461.00	0	695,148,527.37
3. Movements in the current period (decrease shall be stated as "-")									
(1) Net profits	0	0	0	0	0	0	1,437,598.91	0	1,437,598.91
(2) Other comprehensive income	0	0	0	0	0	0	0	0	0
Sub-total of above (1) and (2)	0	0	0	0	0	0	1,437,598.91	0	1,437,598.91
(3) Owner contributions and capital reductions									
1. Owner contributions	0	0	0	0	0	0	0	0	0
2. Other	0	10,000,000.00	0	0	0	0	0	0	10,000,000.00
(4) Profit Distribution									
1. Appropriations to surplus reserve	0	0	0	0	143,759.89	0	-143,759.89	0	0
4. Closing balance for the period	519,521,560.00	18,474,739.46	0	0	34,746,526.80	0	133,843,300.02	0	706,586,126.28

Legal representative:
Mr. Li Shuang Quan

Responsible person for accounting:
Mr. Zhang Qiang

Responsible person for accountant:
Ms. Yang Cai Qin

Notes to Financial Statements

For the year ended 31 December 2013



Currency: RMB

I. CORPORATE BACKGROUND

Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is a joint stock limited liability company founded through co-investment by Xinjiang Tianye Company Limited (“Tianye Company”) and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司) on 27 December 1999, its Corporate Business License No. is 650000410002177. Registered capital of the Company is RMB519,521,560.00 comprising 519,521,560 shares of a nominal value of RMB1 each, of which 317,121,560 domestic shares and 202,400,000 overseas H shares. Since 24 January 2008, listing of the Company’s H shares has been transferred from the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) to the Main Board of the Stock Exchange with its Stock Code changed from 8280 to 0840.

The Company is primarily engaged in plastic product manufacturing, business scope covering development and marketing of high and new water saving irrigation technologies; interim testing and marketing of advanced water saving fittings; technology transfer and service for water saving irrigation; development and utilization of computer application software for water saving irrigation; production and sales of PVC pipelines for water supply, PE pipelines and assemblies, pressure compensatory style drip films, labyrinth-style drip films, embedded-style drip films, agricultural plastic films and drippers; import of scrap steel, scrap copper, scrap aluminum, scrap paper and scrap plastic; recycling and processing of scrap and obsolete plastic; distribution of electrical and mechanical goods (other than compact size vehicles) and chemical goods (other than dangerous chemical items and highly poisonous items); hydraulic industry (irrigation and drainage) (Class C); grade one subcontractor for construction of water saving irrigation project (specific scope is subject to quality certificate); business of exporting products and technologies produced by this enterprise itself and business of importing machinery and equipment, parts and components, raw and auxiliary materials and technologies required by this enterprise, other than goods and technologies solely operated by this enterprise or prohibited from import and export by the State. Main products are including pressure compensatory style drip films, labyrinth-style drip films, embedded-style drip films and drippers, PVC pipelines for water supply, PE pipelines and assemblies.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS

1. Basis of preparation

The Company's financial statements have been prepared on a going concern basis.

2. Statement of compliance

The financial statements prepared by the Company are in accordance with the requirement of the Accounting Standards for Business Enterprises ("ASBE"). The Company has early adopted five concrete standards since 1 January 2013, namely ASBE 9 — Employee compensation, ASBE 30 — Presentation of financial Statements, ASBE 33 — Consolidated financial statements which are revised by the Ministry of Finance in 2014 and ASBE 39 — Fair value measurements and ASBE 40 — Joint Arrangements which are newly promulgated by the Ministry of Finance to give a true and complete view of the related information about the financial positions, operating results and cash flows of the Company.

3. Financial year

The financial year of the Company is from 1 January to 31 December of each calendar year.

4. Reporting currency

The reporting currency was Renminbi.

5. Accounting treatment for business combinations involving and not involving entities under common control

1. Accounting treatment for business combinations of entities under common control

Assets and liabilities obtained by the Company in the business combination are recognized at their carrying amounts at the combination date as recorded by the party being combined. The difference between the carrying amount of the consideration paid for the combination (or aggregate nominal values of the shares issued) and the carrying amount of the net assets obtained is adjusted to capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained profits.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

5. Accounting treatment for business combinations involving and not involving entities under common control (continued)

2. Accounting treatment for business combinations involving entities not under common control

The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the combination date, was recognized as goodwill. In case the consideration of combination paid is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree and the consideration paid for the combination is conducted. If the review also indicates that the consideration of combination paid is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

6. Preparation basis of consolidated financial statements

The Company includes all subsidiaries under its control in the consolidation scope for consolidated financial statements, which are prepared by the Company pursuant to ASBE 33 – Consolidated financial statements based on the financial statements of the Company and its subsidiaries and other relevant information, adjusted long-term equity investments in subsidiaries using the equity method.

7. Recognition standards for cash and cash equivalents

Cash shown in the Statement of Cash Flows comprises cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

8. Foreign currency translation

Upon initial recognition, foreign currency transactions are translated into Renminbi amounts using the spot exchange rate at the dates of the transactions. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. The translation differences arising from different exchange rates, except those relating to the principle of and interests on the foreign currency borrowings for the acquisition, construction or production of assets eligible for capitalization, are recognized in current profit or loss. Also at the balance sheet date, foreign currency non-monetary items measured at historical cost continue to be translated using the spot exchange rate at the dates of the transactions and not change its carrying amount in RMB. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate at the fair value recognition dates. The differences arising from the above translations are recognized in current profit or loss or capital reserves.

9. Financial instruments

1. Classification of financial assets and financial liabilities

The Company classifies its financial assets into four categories at initial recognition: financial assets at fair value through profit or loss (FVTPL) (including financial assets held for trading and financial assets designated as at FVTPL), held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

The Company classifies its financial liabilities into two categories at initial recognition: financial liabilities at FVTPL (including financial liabilities held for trading and financial liabilities designated at FVTPL) and other financial liabilities.

2. Recognition, measurement and derecognition of financial assets and financial liabilities

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the financial instrument. Financial assets or financial liabilities are initially recognized at fair value. For financial assets or financial liabilities at FVTPL, the relevant transaction costs are directly recognized in current profit or loss; for other financial assets or financial liabilities, the relevant transaction costs are recognized in their initial recognition amount.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

9. Financial instruments (continued)

2. Recognition, measurement and derecognition of financial assets and financial liabilities (continued)

Financial assets are subsequently measured at fair value without deduction of the possible transaction costs upon the disposal thereof in the future, except that: (i) held-to-maturity investments and loans and receivables are measured using the effective interest method on the basis of amortised cost; and (ii) equity investments not quoted in an active market and whose fair value cannot be reliably measured and derivatives linked to and settled by way of delivery of such equity investments are carried at cost.

Financial liabilities are subsequently measured using the effective interest method on the basis of amortised cost, except that: (i) financial liabilities at FVTPL are measured at fair value without deduction of the possible transaction costs upon the settlement thereof in the future; (ii) derivative financial liabilities linked to and settled by way of delivery of equity investments not quoted in an active market and whose fair value cannot be reliably measured are carried at cost; and (iii) financial guarantee contracts not classified as financial liabilities designated as at FVTPL or the loan commitment for loans to be granted at an interest rate below the market rate which is not designated as at FVTPL, after initial recognition, are subsequently measured at the higher of: (a) the amount determined under ASBE 13 — Contingency; and (b) the initial recognized amount less accumulated amortization determined according to ASBE 14 — Revenue.

Any gains or losses arising from the change in fair value on financial assets or financial liabilities, except for those falling under cash flow hedging, are accounted for as follows: (i) gains or losses arising from the change in fair value on financial assets or financial liabilities at FVTPL are recorded as gain or loss from changes in fair value. Interests or cash dividends received during the period in which such assets are held, are recognised as investment income. On disposal, the differences between the consideration received and initial recognised amount are recognised as investment income and adjust the gain or loss from changes in fair value accordingly; and (ii) changes in fair value of available-for-sale financial assets are recorded in capital reserves. Interests calculated using the effective interest method for the period in which the assets are held, are recognised as investment income. Cash dividends from available-for-sale equity investments are recognised as investment income when the dividends are declared by the investee. On disposal, the differences between the consideration received and the carrying amount of assets after deducting the accumulated fair value adjustments previously recorded in capital reserves are recorded as investment income.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

9. Financial instruments (continued)

2. Recognition, measurement and derecognition of financial assets and financial liabilities (continued)

A financial asset is derecognized when the contractual rights to receive cash flows from the asset has expired, or substantially all the risks and rewards associated with the ownership of the asset have been transferred. A financial liability is derecognised when the underlying present obligations (or part of it) are discharged.

3. Recognition and measurement of transfer of financial assets

If the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognized. If the Company retains substantially all the risks and rewards of ownership of a financial asset, the transferred asset should continue to be recognized, with the received consideration recognized as a financial liability. When the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may either (1) derecognize the financial asset if control of the financial asset has not been retained; (2) recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability if control has been retained.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (i) the carrying amount of the financial asset transferred; and (ii) the sum of the consideration received from the transfer and the accumulated fair value adjustments previously recorded in in total shareholders' equity, is recognised in current profit or loss. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognised; and (ii) the sum of the consideration received for the part derecognized and the accumulated fair value adjustments allocated to the part derecognised which has been previously recorded in in total shareholders' equity, is recognised in current profit or loss.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

9. Financial instruments (continued)

4. Determination of fair value of primary financial assets and financial liabilities

For a financial asset or a financial liability which has an active market, the Company uses the quoted price in the active market to establish its fair value. For a financial asset or a financial liability which has no active market, the Company establishes fair value by using a valuation technique, which includes using the price of recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another financial instrument that is substantially the same, discounted cash flow analysis and option pricing models. For financial asset acquired or originated or, financial liability assumed initially, its fair value is based on the market transaction price.

5. Assessment and provision for impairment on financial assets

- (1) The carrying amount of financial assets, other than financial assets at FVTPL, is assessed at the balance sheet date. Provision for impairment is made when there is objective evidence indicating that a financial asset is impaired.
- (2) For a financial asset that is individually significant, the Company assesses the asset individually for impairment. For a financial asset that is not individually significant, the Company assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment.
- (3) If a financial asset carried at amortised cost is impaired as indicated by objective evidence at the period end, an impairment loss is recognized as the excess of the carrying amount of the asset over the present value of estimated future cash flows. If an equity investment not quoted in an active market and whose fair value cannot be reliably measured or a derivative financial asset linked to and settled by way of delivery of such equity investment is impaired, an impairment loss is recognized as the excess of the carrying amount of the investment or asset over the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. When there is a significant decline, or a prolonged decline is expected in fair value of available-for-sale financial assets after taking into account all considerations, its impairment loss shall be recognized and the accumulated loss on fair value that previously recorded in equity is also recorded as impairment loss.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

9. Financial instruments (continued)

5. Assessment and provision for impairment on financial assets (continued)

- (4) Objective evidence of impairment of available for sale financial assets. Objective evidences of impairment in available for sale debt instruments include followings:
- 1) The debtor fell into significant financial difficulty;
 - 2) Default of terms of contract by the debtor, such as default or overdue due to failure in payment of interest or the principle amount;
 - 3) The Company made concession to the debtor who is in financial difficulty in consideration to economic or legal factors;
 - 4) The debtor is likely to be bankrupt or carry out reorganization;
 - 5) The debt instrument could not continually trade on the active market as the debtor was in significant financial difficulty;
 - 6) Other situations indicate that the debt instrument was impaired.

10. Trade receivables

1. Individually significant trade receivables for which separate bad-debt provision is made

Basis or monetary criteria for determining an individually significant receivable

A trade receivable is considered individually significant if it amounts to RMB1 million or above

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed

Individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

10. Trade receivables (continued)

2. Trade receivables for which bad debt provision is made on a group basis

(1) *Basis for determining the group and method of provisioning for bad debt*

Basis for determining the group

Aging analysis method group Trade receivables at the same age with similar credit risk characteristics

Individual assessment method group Amounts due from related parties subject to consolidation, deposits for state land treatment project and government procurement

Method of provisioning for bad debt on a group basis

Aging analysis method group Aging analysis method

Individual assessment method group Individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount.

(2) *Aging analysis method*

Aging	Percentage of provisions for trade receivables (%)	Percentage of provisions for other receivables (%)
Within 1 year (inclusive)	1.00	1.00
1–2 years (inclusive)	50.00	50.00
Over 2 years	100.00	100.00



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

10. Trade receivables (continued)

3. Individually insignificant trade receivables for which separate bad-debt provision is made

Reason for making separate bad-debt provision	For state land treatment projects and government procurements, separate bad-debt provisions are made based on the solvency, cash flows and other indicators of the debtor.
Method of provisioning for bad debt	Individually assessed for impairment with bad-debt provisions made based on the difference between the present value of its estimated future cash flows and its carrying amount.

For other receivables such as bill receivables, prepayments, interests receivable, and long-term receivables, bad-debt provisions are made based on the difference between the present value of its estimated future cash flows and its carrying amount.

11. Inventories

1. Classifications of inventories

Inventories are finished goods or merchandise held for sale in the ordinary course of business, or work in progress in the process of production for such sale, or materials or supplies to be consumed in the production process or in the rendering of services.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

11. Inventories (continued)

2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method.

3. Basis for determining the net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for diminution in the value of inventories. For inventories directly for sale, net realisable value is measured based on the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale and relevant taxes. For inventories that need processing, net realisable value is measured based on the estimated selling price of finished goods in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. At the balance sheet date, for an item of inventories where a portion is subject to contractual price while the remainder is not, their net realisable values are determined and compared with their corresponding costs respectively to recognise the amount of provision, or reversal of provision, for diminution in the value of inventories.

4. Inventory system

The Company maintains a perpetual inventory system.

5. Amortisation methods for consumables including low-value consumables and packaging materials

(1) Low-value consumables

Low-value consumables are amortised in full when received for use.

(2) Packaging materials

Packaging materials are amortised in full when received for use.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

12. Long-term equity investment

1. Determination of investment cost

- (1) The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company's share of the carrying amount of shareholders' equity of the party being combined at the combination date, if the consideration for combination is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost of the long-term equity investment and the carrying amounts of the consideration given or the total nominal value of shares issued is adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits.
- (2) For a long-term equity investment obtained through a business combination involving entities not under common control, the initial investment cost is the fair value of the consideration given for combination at the acquisition date.
- (3) A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the investment is acquired by cash, or at the fair value of the equity securities issued if the investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if the investment is contributed by shareholders, unless the value so agreed is deemed unfair.

2. Subsequent measurement and recognition of profit or loss

When the Company controls the investee, a long-term equity investment is accounted for using the cost method, and adjusted to equity method when preparing consolidated financial statements. The cost method is used when the Company does not jointly control or has significant influence over the investee, and the long term equity investment is not quoted in an active market, and have no reliably measurable fair values. The equity method is used to account for long-term equity investment when the Company has a joint control or significant influence over the investee.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

12. Long-term equity investment (continued)

3. Basis for determining the existence or significant influence over an investee

Significant influence is the power to participate in the financial and operating policy decisions of investee but is not control or joint control over those policies with other parties.

4. Impairment test and provision methods for impairment

For an investment in subsidiaries, associates, and joint venture, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is objective evidence that the investment is impaired at the balance sheet date. For a long-term equity investment without joint control or significant influence over the investee, not quoted in an active market, and whose fair value cannot be reliably measured, an impairment is provided for under ASBE 22 — Recognition and measurement of financial instruments.

13. Joint Venture Arrangement

1. Joint venture arrangement refers to an arrangement jointly controlled by two or more than two participants, and classified to joint operation and joint venture.
2. Following items relating to share of interest under joint operation will be recognized when the company was a member of the joint operation:
 - (1) Recognize assets held separately and recognize assets jointly held in proportion on the shares held;
 - (2) Recognize liabilities held separately and recognize liabilities jointly held in proportion on the shares held;
 - (3) Recognize income arising from joint operation on disposal of a company;
 - (4) Recognize income from disposal of assets under joint operation basing on shares held by the company;
 - (5) Recognize expenses incurred separately and recognize expenses incurred under joint operation basing on shares held by the company;
3. Where a company is a partner of the joint venture, investment in the joint venture will be recognized as a long-term equity investment, and account basing on measures set out in Note 2(12) to these financial statements.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

14. Investment property

- Investment property includes land use rights let out, land use rights held for sale after appreciation, and buildings let out.
- Investment property is initially measured at cost and subsequently through the cost pattern, and depreciated or amortised using the same method for fixed assets and intangible assets. At the balance sheet date, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence that the investment property is impaired.

15. Fixed assets

1. Recognition, measurement and depreciation of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful lives over one accounting year.

Fixed assets are accounted for at the actual cost on acquisition and depreciated using the straight-line method from the following month after they are ready for intended use.

2. Depreciation of fixed assets

No.	Class	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
1	Plant and buildings	8–40	3.00–5.00	2.40–11.90
2	Machinery and equipment	5–14	3.00–5.00	6.80–19.00
3	Motor vehicles	5–10	3.00–5.00	9.50–19.00
4	Electronics and other equipment	5–14	3.00–5.00	6.80–19.00

3. Impairment test methods and impairment provision methods for fixed assets

At the balance sheet date, an impairment is provided basing on the excess of the carrying amount over the recoverable amount when there is evidence that the fixed assets are impaired.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

15. Fixed assets (continued)

4. Recognition and measurement of fixed assets under financial lease

Leases are classified as finance leases if one or more of the following conditions are met: (1) the ownership of the leased assets is transferred to the lessee upon expiry of the lease; (2) the lessee has the option to purchase the leased assets at a price estimated to be far lower than the fair value thereof upon the exercise of the option and therefore it can be reasonably ascertained at inception of the lease that the lessee will exercise the option; (3) the lease term accounts for a high percentage, generally 75% or above, of the useful life of the leased assets even if no ownership is transferred; (4) the present value of minimum lease payment made by the lessee at inception of the lease almost represents 90% or above of the fair value of the leased assets at inception of the lease. The present value of minimum lease payment received by the lessor at inception of the lease almost represents 90% or above of the fair value of the leased assets at inception of the lease; (5) the leased assets are of such a unique nature that they can only be used by the lessee unless significant alteration is made.

Fixed assets under finance lease are accounted for based on the lower of the fair value of the leased assets and the present value of minimum lease payments, each determined at inception of the lease, and are depreciated using the depreciation policy for self-owned fixed assets.

16. Construction in progress

1. Construction-in-progress is recognised when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost incurred till it is ready for intended use.
2. Construction-in-progress is transferred into fixed assets when it is ready for its intended use based on the actual cost. For a completed project ready for intended use but with final account unsettled, the asset is transferred into fixed assets based on estimated value. After final account of the project has been settled, the Company shall base on actual cost to make adjustment on the previous estimated value, but need not to adjust the depreciation retrospectively.
3. At the balance sheet date, an impairment is provided basing on the excess of the carrying amount over the recoverable amount when there is evidence that the construction-in-progress is impaired.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

17. Borrowing costs

1. Determination Principle for Capitalization of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as part of the cost of those assets. Other borrowing costs are expensed and charged to current profit or loss when incurred.

2. Timing of borrowing costs capitalization

- (1) Borrowing costs shall be capitalized when 1) capital expenditures and 2) borrowing costs have been incurred, and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalization of borrowing costs should be suspended during periods in which abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing cost incurred during interruption is recognised as current expenses until the acquisition, construction or production activities resume.
- (3) The capitalization of borrowing costs ceases when the assets acquired, constructed or produced and qualified for capitalization are ready for their intended use or sale.

3. Capitalized amount of borrowing costs

For specific borrowings used to acquire, construct or produce assets qualified for capitalization, the amount of interest costs (including amortization of discount or premium determined using the effective interest method) actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average (of the excess of cumulative assets expenditures over the specific borrowings) times capitalization rate (of used general borrowings).



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

18. Intangible assets

1. Intangible assets, including land use rights, patent rights and non-patented technologies, are initially measured at cost.
2. Intangible assets with definite useful lives are reasonably amortized over their useful lives based on the pattern of the economic benefits relating to the intangible assets are expected to be realised. Intangible assets whose economic benefits realization pattern cannot be reliably anticipated are amortised on a straight-line basis over the following useful life:

Item	Estimated useful life (year)
Land use rights	50

3. For intangible assets with definite useful lives, an impairment is provided for based on the excess of the carrying amount over the recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. For intangible assets with indefinite useful lives and those not ready for use, an impairment test is performed each year, irrespective of whether there is evidence of impairment.

19. Long-term prepaid expenses

Long-term prepaid expenses are measured at actual amount and amortized evenly over the beneficial or required period. If the Long-term prepaid expenses are no longer beneficial to the subsequent accounting periods, the unamortized balance is then fully transferred to current profit or loss.

20. Estimated Liability

1. Estimated liability are recognised when the Company has a present obligation as a result of contingencies such as provision of external guarantee, litigation, quality warranty, and loss-making contract, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

20. Estimated Liability (continued)

2. The company conducts initial measurement on estimated liabilities basing on the best estimate of expenses required when fulfill current liabilities, and review the carrying amount of estimated liabilities on the balance sheet date.

21. Remuneration of Employees

1. Remuneration of employees consists of short-term remuneration, welfare after the departure, retirement benefits and other long-term employee benefits.
2. Short remuneration actually incurred in the account period provided by employees of the company will be recognized as liability and include in current profit and loss or related cost of asset.
3. Welfare after departure classified into defined contribution program and defined beneficial program:
 - (1) The company will recognize the payable amount calculated by the defined contribution program during the accounting period the employee rendering service as liabilities and include in current profit and loss or relevant cost of assets.
 - (2) Accounting treatment to the defined beneficial program normally including following steps:
 - 1) Estimate relevant demographic variables and financial variables basing on unbiased and consistent actuarial assumption by expected and accumulated welfare unit method to measure obligations arising from defined beneficial program and confirm the period relevant obligation belongs to.
 - 2) Where assets exist in the defined beneficial program, a deficit or surplus from present value of obligation under defined beneficial program less fair value of assets under defined beneficial program will be recognized as net liability or net asset of defined beneficial program. Where surplus generated from defined beneficial program, the net asset of defined beneficial program will be measured by the lower of surplus and asset limit of the defined beneficial program. Asset limit refer to present economic benefit generated by the company from defund of defined beneficial program or reduction in future contribution to the defined beneficial program.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

21. Remuneration of Employees (continued)

3. Welfare after departure classified into defined contribution program and defined beneficial program: (continued)
 - (2) Accounting treatment to the defined beneficial program normally including following steps: (continued)
 - 3) At the end of period, cost of employee remuneration generated from defined beneficial program will be recognized as service cost, net amount of interest of net liability or net asset under defined beneficial program and movement arising from re-measurement of net liability or net asset under the defined beneficial program, including service cost and net amount of net liability or net asset under the defined beneficial program will include in current profit or loss or relevant cost of asset, change arising from re-measurement of net liability or net asset under defined beneficial program will include in other comprehensive income, and prohibited to revert to profit or loss in subsequent accounting period, but amount recognized in other comprehensive income could be transferred within the scope of equity.
 - 4) Profit or loss from settlement will be recognized when settle the defined beneficial program
 4. Where the company provide retirement benefit to employees, employee remuneration liability incurred from retirement benefit will be recognized at the earlier of following and include in current profit and loss, (1) when the company could not unilaterally withdraw the retirement benefit due to the remove of labour relationship program or downsizing recommendation, (2) the company recognize cost relating to reorganization paid for the retirement benefit or expenses relevant to other long-term benefit provided by the company to employees.
 5. The Company provide other long-term benefit to his employees, in case qualify the condition of defined contribution plan, it will be accounted according to the defined contribution plan. In addition to this, other long-term benefit will account in accordance with defined beneficial plan, but change from re-measurement of net liability or net asset of other long-term employee benefit will include in current profit or loss as cost of such asset.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

22. Revenue

1. Sales of goods

Revenue from sales of goods is recognised when (1) the significant risks and rewards of ownership have been transferred to the buyer, (2) the company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, (3) the amount of revenue could be measured reliably, (4) the relevant economic benefits will likely inflow, (5) related costs incurred or to be incurred could be measured reliably.

Revenue is recognised upon issuance of invoice based on shipment order after the delivery and acceptance of goods by customers through personally taking delivery at the warehouse or commissioning the Company for delivery.

2. Rendering of services

At the balance sheet date, when transaction result of the rendering of services could be measured reliably (which means the amount of revenue can be measured reliably, the relevant economic benefits will probably flow to the Company, the percentage of construction work and relevant cost incurred or to be incurred can be measured reliably), related revenue from rendering of services is recognized according to the percentage of completion. The percentage of completion is based on the percentage of services rendered relative to the total volume of services to be rendered. When transaction result of the rendering of services could not be measured reliably at the balance sheet date, revenue from rendering of services is recognised as the service cost incurred which is carried forward if the costs of services rendered are expected to be compensated, otherwise it is not recognised with such costs recorded in the current profit or loss.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

22. Revenue (continued)

3. Transfer of assets use rights

Revenue from transfer of assets use rights is recognised when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably. Interest income is recognized according to the length of time for which the Company's monetary funds are used by others and the effective interest rate. Income from usage fee is recognized according to timing and method as agreed under relevant contracts or agreements.

4. Construction contracts

- (1) Construction contract revenue and cost are recognised by percentage of completion if the results of the contract could be reliably estimated at the balance sheet date, otherwise revenue is recognised as the actual recoverable contract cost with the contract cost recognised as contract expense for the period in which it is incurred if such cost is recoverable, or not recognised with the contract cost and directly recognised as contract expense if such cost is unrecoverable.
- (2) The results of the fixed price contract can be reliably estimated if the total contract revenue can be measured reliably and it is probable that economic benefits relating to the contract will flow to the Company and the actually incurred contract cost can be clearly distinguished and reliably measured, percentage of completion and outstanding cost for completion could be reliably estimated. The results of the cost-plus contract can be reliably estimated if the economic benefits associated with the contract will probably flow to the Company and the contract cost actually incurred could be distinguished and reliably measured.
- (3) The percentage of completion is based on the percentage of completed contract work volume relative to the estimated total contract work volume.
- (4) At the balance sheet date, expected loss is recognised as current expense if the expected total contract cost exceeds total contract revenue. For construction contracts being performed, provisions for diminution in value of inventories are made based on the excess. For loss-making contracts to be performed, expected liabilities are recognized based on the excess.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

23. Government grants

1. Government grants include government grants relating to assets and those relating to income.
2. The grant is measured as the amount received or receivable where it takes the form of a cash asset, or at fair value where it is not a cash asset. Where the fair value cannot be reliably obtained, it should be measured at the nominal value.
3. Government grants relating to assets are recognised as a deferred income and allocated to current profit or loss over the expected useful life of the relevant asset by equal annual instalments. Government grants relating to income and applied towards reimbursement of related costs or losses in subsequent periods are recognised as deferred income and taken to current profit or loss for the period in which the related costs are recognized. Government grants, applied towards reimbursement of related costs or losses already incurred, are directly recognized in current profit or loss.

24. Deferred tax assets and deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are recognised based on the difference between the carrying amounts of the assets or liabilities and their tax bases (or, for an item not recognised as assets or liabilities but whose tax base can be determined under tax laws, the difference between the tax base and the carrying amount), and are calculated at the tax rates expected to apply to the period in which the assets are recovered or the liabilities are settled.
2. Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. At the balance sheet date, deferred tax assets unrecognised in prior periods are recognised to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilised.
3. The carrying amount of deferred tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be utilised. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

24. Deferred tax assets and deferred tax liabilities (continued)

4. The Company's current and deferred income taxes are recognised in current profit or loss as tax expense or profit, excluding income tax arising from (1) business combination; (2) transactions or items directly recognised in equity.

25. Operating leases and finance leases

1. Operating leases

When the company acts as lessee, rental expenses under operating leases are recognized as relevant asset costs or in current profit or loss on the straight-line basis over the lease term, with any initial direct cost incurred directly charged to current profit or loss. Contingent rental is charged to current profit or loss when incurred.

When the company acts as lessor, rental under operating leases are recognized in current profit or loss on the straight-line basis over the lease term, with any initial direct cost incurred directly charged to current profit or loss. Contingent rental is credited to current profit or loss when incurred.

2. Finance leases

When the company acts as lessee, at the inception of lease, the lower of fair value of leased assets at the inception of lease and the present value of minimum lease payment is recognised as the value of leased assets. The minimum lease payment is recognised as the value of long-term payable. Their difference is recorded as unrecognised finance costs with any initial direct expense incurred recorded in the value of leased assets. For each period of the lease term, current finance cost is calculated using effective interest method.

When the company acts as lessor, at the inception of lease, the sum of minimum lease income at the inception of lease and the initial direct expense is recognised as the value of finance lease payment receivable, with unsecured balance also recorded. The difference between the sum of minimum lease income, initial direct expense and unsecured balance and the sum of their present values is recognised as unrealised finance income. For each period of the lease term, current finance income is calculated using effective interest method.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

26. Hedge accounting

1. Hedges include fair value hedges and cash flow hedges.
2. Hedge accounting is applied to hedges that meet the following conditions: (1) at the inception of a hedge relationship, the Company formally designates the hedge relationship (ie the relationship between the hedging instrument and the hedged item) and documents the hedge relationship, the risk management objective and its strategy for undertaking the hedge; (2) Such hedges are expected to be highly effective and comply with the risk management strategy set by the Company for the hedge relationship at the inception; (3) for cash flow hedges for expected transactions, such expected transactions will probably take place and must expose the Company to risks of movement in cash flows that will eventually affect the profit or loss; (4) the hedge effectiveness can be reliably measured; (5) the hedge effectiveness is evaluated on an ongoing basis, ensuring the hedge is highly effective in the period in which the hedge relationship is designated.

A hedge is deemed highly effective if (i) it is expected at the inception or for subsequent periods to effectively offset movement in fair value or cash flows arising from the hedged risks in the period in which the hedge is designated; and (ii) the actual offset result of the hedge ranges from 80% to 125%.

3. Hedge accounting treatment

(1) Fair value hedges

If the hedging instrument is a derivative, the gain or loss arising from movement in the fair value thereof is recognized in current profit or loss. If the hedging instrument is not a derivative, the gain or loss on the carrying amount thereof due to exchange rate movement is recognized in current profit or loss.

The gain or loss on the hedged item arising from the hedged risks is recognised in current profit or loss, with adjustment to the carrying amount of the hedged item.



II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

26. Hedge accounting (continued)

3. Hedge accounting treatment (continued)

(2) Cash flow hedges

- 1) The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in current profit or loss.
- 2) If the hedged item is an expected transaction for which the Company subsequently recognises a financial asset or financial liability, the gain or loss directly recognized in equity is transferred to current profit or loss in the same period in which the financial asset or financial liability affects the profit or loss of the enterprise. If the Company subsequently recognises a non-financial asset or non-financial liability due to the expected transaction, the gain or loss directly recognized in equity is transferred to the amount initially recognised on the non-financial asset or non-financial liability. If the Company subsequently recognises a asset or liability due to the expected transaction, the gain or loss directly recognized in equity is transferred to current profit or loss in the same period in which the asset or liability affects the profit or loss of the enterprise.

For other cash flow hedges, the gain or loss on the hedging instrument directly recognized in equity is transferred to current profit or loss in the same period in which the hedged, expected transaction affects the profit or loss.

4. A hedge is deemed highly effective if:

- (1) it is expected at the inception or for subsequent periods to effectively offset movement in fair value or cash flows arising from the hedged risks in the period in which the hedge is designated; and
- (2) the actual offset result of the hedge ranges from 80% to 125%.

Hedge accounting no longer applies when the hedging instrument has expired, or has been sold, terminated or exercised, or no longer qualifies for hedge accounting.

The Company uses the ratio analysis method to evaluate the effectiveness of hedges.



Notes to Financial Statements

For the year ended 31 December 2013

II. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ERRORS (continued)

27. Changes in Principal Accounting Policies

As stated in Note 2(2) to the financial statements, the Company has early adopted five concrete accounting standards since 1 January 2013, namely ASBE 9 — Employee compensation, ASBE 30 — Presentation of financial Statements, ASBE 33 — Consolidated financial statements which are revised by the Ministry of Finance in 2014 and ASBE 39 — Fair value measurements and ASBE 40 — Joint Arrangements which are newly promulgated by the Ministry of Finance and application of the above five concrete accounting standards have no impact on the comparable data in the financial statements of the Company for the year of 2013.

III. TAXATION

1. Principle tax items and tax rates

Tax	Basis	Tax rates
Value-added tax	Sales of goods or rendering of services	0%, 13%, 17%
Property tax	1.2% of the property value less 30%, or 12% of rents	1.2%, 12%
City maintenance and construction tax	Amount of payable turnover tax	7%
Education surcharge	Amount of payable turnover tax	3%
Local education surcharge	Amount of payable turnover tax	2%
Enterprise income tax	Amount of taxable profit	15%, 20%, 25%

2. Tax concession and approval documents

1. Value-added tax (“VAT”)

- (1) Incomes of the Company and its subsidiaries from sales of agricultural plastic films are exempted from value-added tax under the Circular of Ministry of Finance and State Administration of Taxation on VAT Exempt Policy for Certain Materials for Production (Cai Shui [2001] No.113) issued by the Ministry of Finance and the State Administration of Taxation.



III. TAXATION (continued)

2. Tax concession and approval documents (continued)

1. Value-added tax (“VAT”) (continued)

(1) (continued)

From 1 July 2007, incomes of the Company and its subsidiaries from production, sales, distribution and retails of belts and pipelines for drip irrigation have been exempted from VAT under the Circular on VAT Exempt for Belts and Pipelines for Drip Irrigation (Cai Shui [2007] No.83) issued by the Ministry of Finance and the State Administration of Taxation.

From 1 January 2005, VAT has been levied at a tax rate of 13% on water saving drip irrigation products, which are processed and assembled with filters, main pipes, branch pipes, agricultural plastic films for drip irrigation, sprinkler heads, etc., produced and sold by the Company under the Circular of Shihezi SAT Office on VAT Levied on Water Saving Drip Irrigation Products Produced and Sold by Xinjiang Tianye Water Saving Irrigation System Company Limited issued by the Shihezi SAT Office of the Xinjiang Uygur Autonomous Region on 9 September 2005.

(2) From 20 April 2004, after accounted for separately from other taxable items, incomes of the Company's subsidiary Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司) (“Hami Tianye”) generated from production and sales of agricultural plastic films have been exempted from VAT under the Reply to Application for VAT Exempt from Hami Tianye (Ha Shi Guo Shui Han [2004] No.95) issued by the Hami Municipal SAT Office.

From 25 June 2004, VAT has been levied at a tax rate of 13.00% on incomes of the Company's subsidiary Hami Tianye from production of water saving drip irrigation products which are processed and assembled with filters, main pipes, branch pipes, belts for drip irrigation and sprinkler heads, etc. under the Reply on VAT Levied on Water Saving Drip Irrigation Products Distributed by Hami Tianye (Ha Shi Guo Shui Han [2004] No.140) issued by the Hami Municipal SAT Office, pursuant to Paragraph 4 of Section 2 of Article 2 under the Provisional Regulations of the People's Republic of China on Value-added Tax.



Notes to Financial Statements

For the year ended 31 December 2013

III. TAXATION (continued)

2. Tax concession and approval documents (continued)

1. Value-added tax (“VAT”) (continued)

- (3) From 1 April 2009, incomes of the Company’s subsidiary Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司) (“Tiancheng Water Saving”) from production and sale of belts for drip irrigation have been exempted from VAT under the Notice on Registration and Filing for Tax Exempt (Sha Guo Shui Jian Mian Bei Zi [2009] No.058) issued by the Shawan County SAT Office.
- (4) Pursuant to Letter on Confirmation of The Principal Activities of Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司) Conforming to the State Encouraged Enterprises issued by the Economic and Information Commission of the Xinjiang Uygur Autonomous Region, Xin Jing Xin Chan Ye Han [2013] No.322 (新經信產業函[2013]322號), businesses of agricultural plastic belts and plastic pipelines for drip irrigation of the Company conform to the content of Section 6 “Development and Production of Agricultural Plastic Water Saving Products and Long Life (Three Years and Above) Functional Agricultural Films” of Article 19 “Light Industry” of Order No.9 issued by the National Development and Reform Commission “Catalogue for the Guidance of Industrial Restructuring (2011 version)-Encouraged Catalogue”. According to relevant requirements under the document of Akesu Di Shui Jian Mian Bei Zi 2012 No.[76] (阿克蘇市地稅減免備字2012[76]號), the Company has been exempted from city maintenance and construction tax, education surcharge and local education surcharge from 23 February 2012 under the Circular on VAT Exempt for Belts and Pipelines for Drip Irrigation, (Cai Shui [2007] No.83) (財稅[2007]83號) issued by the Ministry of Finance and the State Administration of Taxation.

* for identification purpose only



III. TAXATION (continued)

2. Tax concession and approval documents (continued)

2. Enterprise income tax ("EIT")

- (1) The Company is subject to an 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 15.00% 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 subsidiary, Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水器材有限公司), was granted an EIT tax rate of 15.00% for 2013 as it qualified for tax concessions relating to the Western Development.
- (3) The Company's subsidiary, Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司), has made the Registration and Filing for EIT Preferential Project on 21 May 2013, thus it was granted an EIT tax rate of 15.00% for 2013 as it qualified for tax concessions relating to the Western Development.
- (4) Activities of production of agricultural plastic belts for drip irrigation of Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司), the Company's subsidiary, conform to order No.9 of the National Development and Reform Commission and Circular of Ministry of Finance, General Administration of Customs and State Administration of Taxation on the Tax Policy for In-depth Implementation of the Western Development Strategy, thus from 1 January 2011 to 31 December 2020, it subjects to an EIT tax rate of 15.00%.
- (5) Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司), the Company's subsidiary, is a qualified small-scaled and minimal profit enterprise which subjects to an EIT tax rate of 20.00%.
- (6) Save for the Company and its subsidiaries, Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水器材有限公司), Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司) and Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司), were subject to an EIT tax rate of 15.00% and Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司) was subject to an EIT tax rate of 20.00%, other subsidiaries were subject to an EIT tax rate of 25.00%.

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Details of Subsidiaries

1. Subsidiaries acquired by way of incorporation or investment

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business	Registered capital (RMB in 10 thousand)	Scope of Business	Organisation number
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限公司)	Controlled subsidiary	Hami, Xinjiang	Manufacturing	1,900.00	Manufacture, sale and technical support of drip irrigation equipment, plastics, agricultural plastic films, drip films, packagings	75457676-X
Kuitun Tiantun Water Saving Co., Ltd* (奎屯天屯節水有限公司)	Controlled subsidiary	Kuitun, Xinjiang	Manufacturing	1,200.00	Manufacture, sale and technical support of drip irrigation equipment, PVC pipelines and PE pipelines, and construction of irrigation projects	79226730-0
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd* (北京天業潤華節水灌溉技術有限公司)	Controlled subsidiary	Beijing	Commerce	300.00	Development, transfer, support, promotion of technologies, equipment installation, maintenance and repair	66752876-X
Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水灌溉有限公司)	Controlled subsidiary	Akesu, Xinjiang	Manufacturing	4,000.00	PVC pipelines, PE pipelines and assemblies used in irrigation; pressure compensatory style drip films, labyrinth-style drip films	67925171-0
Shihezi Tiancheng Water Saving Device Co., Ltd (石河子市天誠節水器材有限公司)	Controlled subsidiary	Shihezi, Xinjiang	Manufacturing	1,710.00	Manufacture, sale, technical support and installation of drip belts, plastic pipelines, agricultural plastic films, drip irrigation assemblies	68274452-4
Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司)	Controlled subsidiary	Tieling, Liaoning	Manufacturing	1,000.00	Manufacture, sales, technical support and installation of drip belts, plastic pipelines, agricultural plastic films, drip irrigation assemblies	07626183-X

Notes to Financial Statements

For the year ended 31 December 2013



IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Details of Subsidiaries (continued)

1. Subsidiaries acquired by way of incorporation or investment (continued)

Name of subsidiary	Effective capital contribution at period-end (RMB in 10 thousand)	Balance of other items effectively representing net investment in subsidiary	Percentage of shareholding (%)	Percentage of voting rights (%)	Whether statements are consolidated
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司)	1,154.95	0	60.00	60.00	Yes
Tiantun Water Saving Co., Ltd* (天屯節水有限責任公司)	1,200.00	0	100.00	100.00	Yes
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd* (北京天業潤華節水灌溉技術有限公司)	153.00	0	51.00	51.00	Yes
Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水灌溉有限公司)	4,000.00	0	100.00	100.00	Yes
Shihezi Tiancheng Water Saving Device Co., Ltd (石河子市天誠節水器材有限公司)	1026.00	0	60.00	60.00	Yes
Liaoning Tianye Water Saving Irrigation Co., Ltd*(遼寧天業節水灌溉有限公司)	1,000.00	0	100.00	100.00	Yes

Name of subsidiary	Minority interests	Amount in minority interests offsetting profit and loss thereof	Amount of parent company's interests offsetting current loss shared by minority interests over minority interests' share in such subsidiary at beginning of the period	
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司)	6,177,250.50	0		0
Tiantun Water Saving Co., Ltd* (天屯節水有限責任公司)	0	0		0
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd* (北京天業潤華節水灌溉技術有限公司)	1,495,624.01	0		0
Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水灌溉有限公司)	0	0		0
Shihezi Tiancheng Water Saving Device Co., Ltd (石河子市天誠節水器材有限公司)	7,331,345.04	0		0
Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司)	0	0		0



Notes to Financial Statements

For the year ended 31 December 2013

IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

1. Details of Subsidiaries (continued)

2. Subsidiaries acquired by way of business combination involving entities under common control

Name of subsidiary	Type of subsidiary	Place of registration	Nature of Business	Registered capital (RMB in 10 thousand)	Scope of Business	Organisation number
Shihezi Tianye Material Recycling Co., Ltd* (石河子天業物資回收有限責任公司)	Controlled subsidiary	Shihezi, Xinjiang	Commerce	250.00	Recycling, processing and sale of wasted plastics and glass	74222457-2
Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水器材有限公司)	Controlled subsidiary	Zhangye, Gansu	Manufacturing	6,000.00	Manufacture and sale of water saving plastics; development and promotion of irrigation technologies; manufacture of new water saving equipment	71902286-8

Name of subsidiary	Effective capital contribution at period-end (RMB in 10 thousand)	Balance of other items effectively representing net investment in subsidiary	Percentage of shareholding (%)	Percentage of voting rights (%)	Whether statements are consolidated
Shihezi Tianye Material Recycling Co., Ltd* (石河子天業物資回收有限責任公司)	247.00	0	98.00	98.00	Yes
Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水器材有限公司)	6,141.50	0	100.00	100.00	Yes

Name of subsidiary	Minority interests	Amount in minority interests offsetting profit and loss thereof	Amount of parent company's interests offsetting current loss shared by minority interests over minority interests' share in such subsidiary at beginning of the period
Shihezi Tianye Material Recycling Co., Ltd* (石河子天業物資回收有限責任公司)		218,066.17	0
Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水器材有限公司)		0	0

* for identification purpose only



IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

2. Notes of changes of consolidation scope

1. Subsidiaries newly included in the consolidated financial statements during the reporting period

Notes of increasing subsidiaries by way of direct establishment or investment

Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司) was established by the Company during the period, and the registration procedure required by the Industrial and Commercial Administration was properly completed and the business license was obtained at 2 September 2013, with the registration No. of 211241000011698. The registered capital of the Company was RMB10,000,000.00, while the Company contributed RMB10,000,000.00, accounting for 100.00% of its registered capital and substantially control over it, thus the subsidiary was included in the Company's consolidated financial statements from its establishment.

2. Subsidiaries did not include in the consolidated financial statements during the reporting period

During the period, Shihezi Development Zone Tianye Water Saving Engineering Installation Co., Ltd*(石河子開發區天業節水工程安裝有限責任公司), a subsidiary of the Company, finished its liquidation as at 20 December 2013. Thus it will not be included in the consolidated financial statement from the date of its liquidation.

During the period, Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd*(新疆阿拉爾天農節水灌溉有限責任公司), a subsidiary of the Company, established a liquidation team and conducted liquidation procedure after the shareholders' negotiation as at 31 May 2013. Thus it will not be included in the consolidated financial statements from the date of setting up liquidation team.

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(continued)

3. Subjects newly included for the consolidation for the period and subjects not included for the consolidation

1. Subsidiary newly included for the consolidation during the period

Name of subsidiary	Net assets at the period-end	Net profit for the period
Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司)	9,946,329.91	-53,670.09

2. Subsidiaries not included for the consolidation during the period

Name of subsidiary	Net Assets on the Date of Disposal	Net Profit from the beginning of the period to the date of disposal
Shihezi Development Zone Tianye Water Saving Engineering Installation Co., Ltd* (石河子開發區天業節水工程安裝有限責任公司)	11,132,157.61	-19,348.31
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司)	1,423,493.96	-288.55

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V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanatory notes to items in the Consolidated Balance Sheet

1. Cash

(1) Details

Item	Closing balance			Opening balance		
	Original currency amount	Exchange rate	RMB equivalent	Original currency amount	Exchange rate	RMB equivalent
Cash on hand:						
RMB	378.33	1.00	378.33	420.18	1.00	420.18
Sub-total			378.33			420.18
Bank deposit:						
RMB	98,999,925.44	1.00	98,999,925.44	111,544,009.75	1.00	111,544,009.75
HKD	12,975.38	0.7862	10,201.24	80,719.13	0.8114	65,495.50
Sub-total			99,010,126.68			111,609,505.25
Other cash:						
RMB	132,398.72	1.00	132,398.72	132,398.72	1.00	132,398.72
Sub-total			132,398.72			132,398.72
Total			99,142,903.73			111,742,324.15

- (2) No funds restricted in use, placed overseas, or facing potential recovery risks due to charge, pledge, or freeze.



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

2. Bill receivables

(1) Details

Category	Closing balance			Opening balance		
	Book value	Bad-debt provision	Carrying amount	Book value	Bad-debt provision	Carrying amount
Bank acceptance bills	4,390,000.00	0	4,390,000.00	2,850,000.00	0	2,850,000.00
Total	4,390,000.00	0	4,390,000.00	2,850,000.00	0	2,850,000.00

(2) There were no pledged bill receivables at the period-end.

(3) There were no bills converted into trade receivables due to the issuer's failure to perform at period-end.

(4) Bills endorsed by the Company for others but not yet due at the period-end (top 5 in amount)

Issuer	Issue date	Expiry date	Amount	Remark
Xinjiang Nongyishi Supplying and Sales (Group) Co., Ltd* (新疆農一師供銷(集團)有限公司)	2013.7.16	2014.1.16	3,000,000.00	
Xinjiang Guangda Shanhe Chemical and Technology Co., Ltd* (新疆光大山河化工科技有限公司)	2013.7.8	2014.1.8	1,000,000.00	
Ningxia Zetian Material Trading Co., Ltd* (寧夏澤天物資貿易有限公司)	2013.7.20	2014.1.20	1,000,000.00	
Jilin Water Saving Irrigation Development Co., Ltd* (吉林省節水灌溉發展有限公司)	2013.10.30	2014.4.30	1,000,000.00	
Jilin Water Saving Irrigation Development Co., Ltd* (吉林省節水灌溉發展有限公司)	2013.10.30	2014.4.30	1,000,000.00	
Sub-total			7,000,000.00	

* for identification purpose only



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

3. Trade receivables

(1) Details

1) Details by category

Category	Closing balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	50,186,731.35	61.01	0	0
For which bad debt provision made on a group basis:				
— Aging analysis group	13,455,375.91	16.36	6,020,506.59	44.74
Individually insignificant but for which bad debt provision has been separately made	18,624,439.15	22.63	344,395.12	1.85
Total	82,266,546.41	100.00	6,364,901.71	7.74

Category	Opening balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	105,032,704.25	75.37	179,365.52	0.17
For which bad debt provision made on a group basis:				
— Aging analysis group	17,656,256.58	12.67	6,250,334.51	35.40
Individually insignificant but for which bad debt provision has been separately made	16,661,714.51	11.96	0	0
Total	139,350,675.34	100.00	6,429,700.03	4.61

2) Trade receivables individually significant and for which bad debt provision has been separately made

Trade receivables	Book value	Bad-debt provision	Provision percentage (%)	Reason for provision
Sales of goods	50,186,731.35	0	0	Bad debt provision has been separately made for state land treatment project and government tendering project
Sub-total	50,186,731.35	0	0	



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

3. Trade receivables (continued)

(1) Details (continued)

3) Trade receivables for which bad debt provision has been made using the aging analysis method in the group

Age	Closing balance			Opening balance		
	Book value	Percentage	Bad-debt	Book value	Percentage	Bad-debt
	Amount	(%)	provision	Amount	(%)	provision
Within 1 year	5,776,846.66	42.94	57,768.47	7,542,123.86	42.72	75,421.24
1-2 years	3,431,582.28	25.50	1,715,791.15	7,878,438.91	44.62	3,939,219.46
2-3 years	3,963,503.12	29.46	3,963,503.12	895,436.05	5.07	895,436.05
3-4 years	2,750.00	0.02	2,750.00	239,041.07	1.35	239,041.07
4-5 years	90,724	0.67	90,724.00	1,101,216.69	6.24	1,101,216.69
Over 5 years	189,969.85	1.41	189,969.85	0	0	0
Sub-total	13,455,375.91	100.00	6,020,506.59	17,656,256.58	100.00	6,250,334.51

4) Trade receivables individually insignificant but for which bad debt provision has been separately made at the period-end

Trade receivables	Book value	Bad-debt provision	Provision percentage (%)	Reason for provision
Sales of goods	18,624,439.15	344,395.12	1.85	Bad debt provision has been separately made for state land treatment project and government tendering project
Sub-total	18,624,439.15	344,395.12	1.85	

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

3. Trade receivables (continued)

(2) Trade receivables actually written off for the period

Name of entity	Nature of trade receivables	Amount written off	Reason for write-off	Arising from connected transaction
Red Star Second Site of Farm 13 (農十三師紅星二場)	Sales of goods	658,711.50	Unrecoverable	No
Sub-total		658,711.50		

(3) There were no amounts due from shareholders or other related parties holding 5% or more in the voting shares of the Company at the period-end.

(4) Trade receivables from top 5 accounts

Name of entity	Relationship with Company	Book value	Age	Share of trade receivable balance (%)
Jilin Water Saving Irrigation Development Co., Ltd* (吉林省節水灌溉發展有限公司)	Non-related party	5,095,660.81	1-2 years	6.19
Finance Bureau of Beizhen, Liaoning	Non-related party	5,000,000.00	1-2 years	6.08
Minqin County Construction Management Office for Shiyang River key project	Non-related party	4,187,562.75	Within one year	5.09
Liaoning Dongrun Seed Co., Ltd (Yi County of Jinzhou City) 遼寧東潤種業有限公司 (錦州義縣)	Non-related party	3,546,000.00	Within one year	4.31
Material Supplying Station of Shihezi League 134 (石河子134團物資供應站)	Non-related party	3,371,750.00	Within one year	4.10
Sub-total		21,200,973.56		25.77

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

4. Prepayments

(1) Aging analysis

Age	Closing balance				Opening balance			
	Book value	Percentage (%)	Bad-debt provision	Carrying amount	Book value	Percentage (%)	Bad-debt provision	Carrying amount
Within 1 year	16,224,743.14	86.92	0	16,224,743.14	13,980,765.02	83.61	0	13,980,765.02
1-2 years	1,081,307.10	5.79	0	1,081,307.10	213,081.12	1.28	0	213,081.12
2-3 years	30,900.00	0.17	0	30,900.00	253,047.00	1.51	0	253,047.00
Over 3 years	1,328,533.36	7.12	0	1,328,533.36	2,274,051.13	13.6	0	2,274,051.13
Total	18,665,483.60	100.00		18,665,483.60	16,720,944.27	100		16,720,944.27

(2) Prepayments to top 5 accounts

Name of entity	Relationship with Company	Closing balance	Age	Reason for unsettlement
Northwest Chemicals Distribution Branch of PetroChina Company Limited	Non-related party	7,936,785.00	Within one year	Not yet due for payment
Wu Jianxin (recycle)	Non-related party	3,700,000.00	Within one year	Not yet due for payment
Beijing Zhongcai Wanxin Technology Co., Ltd* (北京中財萬鑫科技有限公司)	Non-related party	831,366.94	1-2 years	Prepayment for goods
Zhangye City Zhongxing Wujiachua Co., Ltd* (張掖市中興五交化有限責任公司)	Non-related party	501,457.96	Within one year	Prepayment for goods
Pipe station of League 144	Non-related party	410,300.00	Within one year	Prepayment for goods
Sub-total		13,379,909.90		

(3) There were no amounts prepaid to shareholders or other related parties holding 5% or more in the voting shares of the Company at the period-end.

* for identification purpose only

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

4. Prepayments (continued)

(4) Trade prepayment actually written off for the period

Name of entity	Nature of trade prepayments	Amount		Arising from connected transaction
		written off	Reason for write-off	
Shihezi Wanxiang Machinery Accessories Factory* (石河子萬向機械配件廠)	Payment for materials	62,450.00	Customer dissolved	No
Shihezi Yuhua Machinery and Equipment Manufacture Factory* (石河子裕華機械設備製造廠)	Payment for materials	43,200.00	Customer dissolved	No
Urumchi Xinhu Baidi Corporation* (烏魯木齊新湖百迪公司)	Payment for materials	18,975.52	Age over 5 years, the customer did not issue billing in accordance with the contract	No
Urumchi New Downtown Lian Plastic and Machinery Factory* (烏魯木齊新市區里安塑膠機械廠)	Payment for materials	2,000.00	Age of 4-5 years, the customer did not issue billing in accordance with the contract	No
Jinye Science and Technology Development Co., Ltd* (金野科技開發公司)	Payment for materials	36,959.40	Age of 4-5 years, the customer did not issue billing in accordance with the contract	No
Lanzhou Xigu Jinping Plastic Corporation* (蘭州西固金平塑膠公司)	Payment for materials	6,200.00	Age over 5 years, the customer did not issue billing in accordance with the contract	No
Sub-total		169,784.92		

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

5. Other receivables

(1) Details

1) Details by category

Category	Closing balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	25,166,368.68	80.59	0	0
For which bad debt provision made on a group basis:				
— Aging analysis group	4,547,227.59	14.56	2,117,636.51	46.57
— Individual assessment group	94,445.20	0.30	0	0
Sub-total	4,641,672.79	14.86	2,117,636.51	45.62
Individually insignificant but for which bad debt provision has been separately made	1,418,023.20	4.55	0	0
Total	31,226,064.67	100.00	2,117,636.51	6.78

Category	Opening balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	4,448,073.80	21.91	0	0
For which bad debt provision made on a group basis:				
— Aging analysis group	8,586,777.05	42.29	3,509,093.54	40.87
Individually insignificant but for which bad debt provision has been separately made	7,271,284.81	35.80	429,536.31	5.91
Total	20,306,135.66	100.00	3,938,629.85	19.40

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

5. Other receivables (continued)

(1) Details (continued)

- 2) Individually significant and for which bad debt provision has been separately made

Receivables	Book balance	Bad-debt provision	Provision	
			percentage (%)	Reason for provision
Project payment lent to government	10,170,197.08	0	0	No bad-debt provision for advance payment for government project
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司)	14,996,171.60	0	0	Former subsidiary in liquidation
Sub-total	25,166,368.68			

* Other receivables of the Company from Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司) ("Xinjiang Aral") amounted to RMB14,996,171.60. Xinjiang Aral is in liquidation, and the result of which has not been finalized yet.

- 3) Other receivables for which bad debt provision has been made using the aging analysis group

Age	Closing balance			Opening balance		
	Book value	Percentage	Bad-debt provision	Book value	Percentage	Bad-debt provision
	Amount	(%)		Amount	(%)	
Within 1 year	1,745,147.44	38.38	17,451.48	4,660,132.31	54.27	46,601.32
1-2 years	1,403,790.24	30.87	701,895.12	928,305.05	10.81	464,152.53
2-3 years	650,000.00	14.29	650,000.00	675,396.51	7.87	675,396.51
3-4 years	659,887.70	14.51	659,887.70	84,028.90	0.98	84,028.90
4-5 years	48,402.21	1.06	48,402.21	120,919.54	1.41	120,919.54
Over 5 years	40,000.00	0.89	40,000.00	2,117,994.74	24.66	2,117,994.74
Sub-total	4,547,227.59	100.00	2,117,636.51	8,586,777.05	100.00	3,509,093.54



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

5. Other receivables (continued)

(1) Details (continued)

- 4) Other receivables for which bad debt provision has been made using the individual assessment method in the group

Receivables	Book value	Bad-debt provision	Provision	
			percentage (%)	Reason for provision
Xinjiang Shihezi Tianda Tomato Products Co., Ltd.* (新疆石河子天達番茄製品有限責任公司)	94,445.20	0	0	No bad-debt provision for advance payment for government project
Sub-total	94,445.20	0	0	

* for identification purpose only

- 5) Individually insignificant but for which bad-debt provision has been separately made

Receivables	Book value	Bad-debt provision	Provision	
			percentage (%)	Reason for provision
Project payment or deposit lent to government	1,418,023.20	0	0	No bad-debt provision for advance payment for government project
Sub-total	1,418,023.20	0	0	

- (2) There were no amounts due from shareholders holding 5% or more in the voting shares of the Company at the period-end.

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

5. Other receivables (continued)

(3) Other receivables from top 5 accounts

Name of entity	Relationship with the Company	Book value	Age	Share of other receivable balance (%)	Nature or content of amounts
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司)	Related party	14,996,171.60	1-3 years	48.02	Current account
Engineering materials payment lent for 28500 Mu from Administration of Tsitsihar	Non-related party	1,100,000.00	2-4 years	3.52	Advance payment for engineering material
Construction expense of packaging engineering in 2010	Non-related party	1,067,576.80	2-3 years	3.42	Advance payment for engineering material
Engineering materials payment lent for the Liaoning Water Saving Irrigation Project	Non-related party	898,000.66	Within one year	2.88	Advance payment for engineering material
Bidding fee for Western Area	Non-related party	876,924.35	1-4 years	2.81	Bidding
Sub-total		18,938,673.41		60.65	

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

6. Inventories

(1) Details

Item	Closing balance			Opening balance		
	Book value	provision for inventory impairment	Carrying amount	Book value	provision for inventory impairment	Carrying amount
Materials in transit	1,799,635.81	0	1,799,635.81	0	0	0
Raw materials	208,290,400.51	0	208,290,400.51	183,926,057.23	0	183,926,057.23
Work-in-progress	11,185,561.49	0	11,185,561.49	13,609,406.18	0	13,609,406.18
Finished goods	355,872,311.99	986,869.11	354,885,442.88	378,612,809.92	287,327.31	378,325,482.61
Materials under sub-contract processing	9,008,552.89	0	9,008,552.89	18,030,132.50	0	18,030,132.50
Materials for construction-in-progress	240,447.62	0	240,447.62	645,033.88	0	645,033.88
Total	586,396,910.31	986,869.11	585,410,041.20	594,823,439.71	287,327.31	594,536,112.40

(2) Provision for inventory impairment

1) Details

Item	Opening balance	Increase in the period	Decrease in the period		Closing balance
			Write-back	Write-off	
Finished goods	287,327.31	699,541.80	0	0	986,869.11
Sub-total	287,327.31	699,541.80	0	0	986,869.11



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

6. Inventories (continued)

(2) Provision for inventory impairment (continued)

- 2) Basis of provision for inventory impairment, reason for write-back of provision for inventory impairment and percentage of amount written back for the period to Closing balance of inventories for the period

Item	Basis of provision for inventory impairment	Reason for write-back of provision for inventory impairment for the period	Percentage of amount written back for the period to Closing balance of inventories (%)
Finished goods	Net realisable value of inventories lower than carrying amount thereof	0	0

- (3) There were no inventories used for providing guarantee at the period-end.

7. Other current assets

(1) Details

Item	Closing balance	Opening balance
Prepaid EIT	513,073.33	1,055,069.52
Creditable VAT	672,580.32	2,656,662.24
Total	1,185,653.65	3,711,731.76

(2) Other notes

The excess of EIT and VAT actually paid in the period over the sum of the amount due at the period-beginning and the amount payable for the period was presented as the prepaid amount in other current assets.



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

8. Investment property

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
1) Sub-total of opening carrying amount	10,098,998.07	0	0	10,098,998.07
Plant and buildings	10,098,998.07	0	0	10,098,998.07
2) Sub-total of accumulated depreciation and amortisation	981,622.44	327,207.48	0	1,308,829.92
Plant and buildings	981,622.44	327,207.48	0	1,308,829.92
3) Sub-total of net carrying amount	9,117,375.63	0	327,207.48	8,790,168.15
Plant and buildings	9,117,375.63	0	327,207.48	8,790,168.15
4) Sub-total of accumulated provision for impairment	0	0	0	0
Plant and buildings	0	0	0	0
5) Total carrying amount	9,117,375.63	0	327,207.48	8,790,168.15
Plant and buildings	9,117,375.63	0	327,207.48	8,790,168.15

Depreciation for the period was RMB327,207.48.

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

9. Fixed assets

(1) Details

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
1) Sub-total of opening carrying amount	404,449,321.44	43,201,208.67	32,540,921.14	415,109,608.97
Plant and buildings	82,794,055.74	5,528,588.87	0.00	88,322,644.61
Machinery and equipment	310,118,126.20	36,073,301.77	31,605,835.95	314,585,592.02
Motor vehicles	5,381,497.49	542,881.11	613,895.50	5,310,483.10
Office equipment and others	6,155,642.01	1,056,436.92	321,189.69	6,890,889.24
		Transfer in during the period	Provision for the period	
2) Sub-total of accumulated depreciation	241,772,662.63	0	16,499,210.46	228,772,456.22
Plant and buildings	13,654,946.18	0	2,860,401.13	16,515,347.31
Machinery and equipment	221,542,300.49	0	12,622,754.71	205,522,052.14
Motor vehicles	3,782,360.66	0	361,966.75	3,551,448.78
Office equipment and others	2,793,055.30	0	654,087.87	3,183,607.99
3) Sub-total of net carrying amount	162,676,658.81	0	0	186,337,152.75
Plant and buildings	69,139,109.56	0	0	71,807,297.30
Machinery and equipment	88,575,825.71	0	0	109,063,539.88
Motor vehicles	1,599,136.83	0	0	1,759,034.32
Office equipment and others	3,362,586.71	0	0	3,707,281.25
4) Sub-total of provision for impairment	178,087.60	0	0	178,087.60
Plant and buildings	0	0	0	0
Machinery and equipment	178,087.60	0	0	178,087.60
Motor vehicles	0	0	0	0
Office equipment and others	0	0	0	0
5) Total carrying amount	162,498,571.21	0	0	186,159,065.15
Plant and buildings	69,139,109.56	0	0	71,807,297.30
Machinery and equipment	88,397,738.11	0	0	108,885,452.28
Motor vehicles	1,599,136.83	0	0	1,759,034.32
Office equipment and others	3,362,586.71	0	0	3,707,281.25

Depreciation for the period amounted to RMB16,499,210.46. An original amount of RMB35,087,832.39 was transferred to fixed assets from construction-in-progress in the period.



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

9. Fixed assets (continued)

(2) Idled fixed assets

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Plant and buildings	1,454,876.00	684,140.54		770,735.46	
Machinery and equipment	7,309,461.31	6,128,219.41		1,181,241.90	
Motor vehicles	266,951.00	258,942.47		8,008.53	
Office equipment and others	317,493.59	227,087.58		90,426.01	
Sub-total	9,348,781.90	7,298,390.00		2,050,391.90	

(3) Fixed assets without title certificates

Item	Reason	Expected time for issuance of title certificates
Certain plant and buildings of Tiancheng Water Saving	Newly built with building ownership certificate yet to be issued	In progress

(4) There were no fixed assets used for providing guarantee at the period-end.

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

10. Construction-in-progress

(1) Details

Name of works	Closing balance			Opening balance		
	Book balance			Book balance		
	Amount	Provision for impairment	Provision for bad-debt	Amount	Provision for impairment	Carrying amount
Reconstruction of equipments in 2nd drip irrigation workshop	514,555.63	0	514,555.63	514,555.63	0	514,555.63
Reconstruction of drip irrigation project	0	0	0	2,966,914.77	0	2,966,914.77
50 coextrusion drip irrigation machines	0	0	0	2,085,067.95	0	2,085,067.95
PP pipelines machine unit	297,982.92	0	297,982.92	1,611,755.82	0	1,611,755.82
PE one-trip pallet project	489,394.74	0	489,394.74	4,733,764.88	0	4,733,764.88
Technical re-engineering for 100 drip irrigation equipments	2,068,762.91	0	2,068,762.91	1,358,841.12	0	1,358,841.12
Production of 100 drip irrigation equipments	4,840,233.94	0	4,840,233.94	14,965,063.16	0	14,965,063.16
Reconstruction of blending system in hard pipe workshop	0	0	0	362,035.90	0	362,035.90
Pressure compensatory emitter project	0	0	0	710,081.15	0	710,081.15
PE65/33 pipeline machine unit	0	0	0	269,230.77	0	269,230.77
Embedded cylinder-style emitter project	0	0	0	281,959.32	0	281,959.32
Repair and reconstruction of screw on equipment in drip pipe workshop	109,291.77	0	109,291.77	419,394.33	0	419,394.33
PVC65 pipeline machine unit	247,048.96	0	247,048.96	247,048.96	0	247,048.96
Installation project of PVC 400, 160 production line	0	0	0	0	0	0
Equipment reconstruction of PVC pipeline 2-5# machine	0	0	0	0	0	0
Promotion project of water-saving irrigation technique-cleaning of workshop of granulation and reconstruction of equipment of granulation	54,773.51	0	54,773.51	147,458.44	0	147,458.44
Miscellaneous	1,393,397.12	0	1,393,397.12	950,963.46	0	950,963.46
Total	10,015,441.50	0	10,015,441.50	31,624,135.66	0.00	31,624,135.66



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

10. Construction-in-progress (continued)

(2) Movement

1) Details

Name of works	Budget		Increase in the period	Transferred to fixed assets	Other decrease	Percentage of input to budget (%)
	(RMB in ten thousand)	Opening balance				
Reconstruction of equipments in 2nd drip irrigation workshop	55	514,555.63	0	0	0	93.56
Reconstruction of drip irrigation project	300	2,966,914.77	0	2,966,914.77	0	98.90
50 coextrusion drip irrigation machines	210	2,085,067.95	0	2,085,067.95	0	99.29
PP pipelines machine unit	300	1,611,755.82	677,536.17	1,991,309.07	0	76.31
PE one-trip pallet project	600	4,733,764.88	0	0	4,244,370.14	78.90
Technical re-engineering for 100 drip irrigation equipments	0	1,358,841.12	709,921.79	0	0	0
Production of 100 drip irrigation equipments	2000	14,965,063.16	2,284,854.62	12,409,683.84	0	86.25
Reconstruction of blending system in hard pipe workshop	229	362,035.90	282,034.36	644,070.26	0	28.13
Pressure compensatory emitter project	0	710,081.15	0	710,081.15	0	0
PE65/33 pipeline machine unit	0	269,230.77	0	269,230.77	0	0
Embedded cylinder-style emitter project	28	281,959.32	0	281,959.32	0	100.00
Repair and reconstruction of screw on equipment in drip pipe workshop	0	419,394.33	119,632.46	429,735.02	0	0
PVC65 pipeline machine unit	50	247,048.96	0	0	0	49.41
Installation project of PVC 400, 160 production line	896	0	8,965,723.53	8,965,723.53	0	100.00
Equipment reconstruction of PVC pipeline 2-5# machine	87	0	877,203.40	877,203.40	0	100.00
Promotion project of water-saving irrigation technique -cleaning of workshop of granulation and reconstruction of equipment of granulation	130	147,458.44	1,169,687.48	1,262,372.41	0	100
Miscellaneous	150	950,963.46	2,987,977.61	2,194,480.90	351,063.05	0
Total	4885	31,624,135.66	18,074,571.42	35,087,832.39	4,595,433.19	0

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

10. Construction-in-progress (continued)

(2) Movement (continued)

1) Details (continued)

Name of works	Progress (%)	Accumulated capitalised interests	Capitalised interests for the period	Annualised rate of interest capitalisation for the period (%)	Funding source	Closing balance
Reconstruction of equipments in 2nd drip irrigation workshop	93.56	0	0	0	Internal	514,555.63
Reconstruction of drip irrigation project	100.00	0	0	0	Internal	0
50 coextrusion drip irrigation machines	100.00	0	0	0	Internal	0
PP pipelines machine unit	76.31	0	0	0	Internal	297,982.92
PE one-trip pallet project	78.90	0	0	0	Internal	489,394.74
Technical re-engineering for 100 drip irrigation equipments	100.00	0	0	0	Internal	2,068,762.91
Production of 100 drip irrigation equipments	86.25	0	0	0	Internal	4,840,233.94
Reconstruction of blending system in hard pipe workshop	100.00	0	0	0	Internal	0
Pressure compensatory emitter project	0	0	0	0	Internal	0
PE65/33 pipeline machine unit	0	0	0	0	Internal	0
Embedded cylinder-style emitter project	100.00	0	0	0	Internal	0
Repair and reconstruction of screw on equipment in drip pipe workshop	28.13	0	0	0	Internal	109,291.77
PVC65 pipeline machine unit	49.41	0	0	0	Internal	247,048.96
Installation project of PVC 400, 160 production line	100.00	0	0	0	Internal	0
Equipment reconstruction of PVC pipeline 2-5# machine	100.00	0	0	0	Internal	0
Promotion project of water-saving irrigation technique-cleaning of workshop of granulation and reconstruction of equipment of granulation	89.98	0	0	0	Internal	54,773.51
Miscellaneous	0	0	0	0	Internal	1,393,397.12
Total		0	0	0		10,015,441.50



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

11. Materials for construction

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Dedicated materials	103,397.78	0	103,397.78	0
Total	103,397.78	0	103,397.78	0

12. Intangible assets

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
1) Sub-total of opening carrying amount	14,414,108.82	0	0	14,414,108.82
Land use rights	14,414,108.82	0	0	14,414,108.82
2) Sub-total of accumulated depreciation	1,573,663.01	297,065.82	0	1,870,728.83
Land use rights	1,573,663.01	297,065.82	0	1,870,728.83
3) Sub-total of net carrying amount	12,840,445.81	0	297,065.82	12,543,379.99
Land use rights	12,840,445.81	0	297,065.82	12,543,379.99
4) Sub-total of provision for impairment	0	0	0	0
Land use rights	0	0	0	0
5) Total carrying amount	12,840,445.81	0	297,065.82	12,543,379.99
Land use rights	12,840,445.81	0	297,065.82	12,543,379.99

Amortisation for the period amounted to RMB297,065.82.



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

13. Long-Term Prepaid Expenses

Item	Opening balance	Increase in the period	Amortisation for the period	Other decrease	Closing balance	Reason for other decrease
Housing rental and improvements	339,034.40	410,188.33	43,644.72	0	705,578.01	
Coal consumption for heating	105,079.52	0	70,053.12	0	35,026.40	
Inlaid unit	35,384.63	0	21,230.76	0	14,153.87	
Three anti tarpaulin	22,344.70	0	8,125.32	0	14,219.38	
Amortisation of Plastic Pallet	0.00	555,001.80	15,416.72	0	539,585.08	
Total	501,843.25	965,190.13	158,470.64	0	1,308,562.74	

14. Deferred tax assets and deferred tax liabilities

(1) Recognised deferred tax assets

Item	Closing balance	Opening balance
Deferred tax assets		
Provision for assets impairment	988,325.03	1,188,924.72
Total	988,325.03	1,188,924.72

(2) Details of deductible differences

Item	Amount
Provision for assets impairment	6,413,321.94
Sub-total	6,413,321.94



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

15. Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment	0	4,506,000.00
Total	0	4,506,000.00

16. Details of provision for assets impairment

(1) Details

Item	Opening balance	Increase for the period	Decrease in the period Others	Write-off	Closing balance
Bad-debt provision	10,368,329.88	2,351,733.67	3,409,028.91	828,496.42	8,482,538.22
Provision for inventory impairment	287,327.31	699,541.80	0	0	986,869.11
Fixed assets provision for impairment	178,087.60	0	0	0	178,087.60
Total	10,833,744.79	3,051,275.47	3,409,028.91	828,496.42	9,647,494.93

(2) Other explanations

Other reductions for the period was due to the decrease of the bad-debt provision at the beginning of the year as Shihezi Development Zone Tianye Water Saving Engineering Installation Co., Ltd* (石河子開發區天業節水工程安裝有限責任公司) and Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司) had not included for combination for the year due to liquidation.

17. Short-term borrowings

Item	Closing balance	Opening balance
Secured borrowings	0	100,000,000.00
Total	0	100,000,000.00

* for identification only



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

18. Trade payables

(1) Details

Age	Closing balance	Opening balance
Within 1 year	159,269,408.93	165,824,191.15
1-2 years	30,723,155.02	817,239.03
2-3 years	282,724.70	124,980.97
Over 3 years	1,153,318.84	2,092,250.99
Sub-total	191,428,607.49	168,858,662.14

Item	Closing balance	Opening balance
Payment for goods	191,428,607.49	168,858,662.14
Total	191,428,607.49	168,858,662.14

(2) Amounts due to shareholders or other related parties holding 5% or more in the voting shares of the Company at the period-end.

Name of entity	Closing balance	Opening balance
Marketing Center of Xinjiang Tianye (Group) Co., Ltd. (新疆天業(集團)有限公司營銷管理中心)	65,876,752.58	0
Beijing Tianye Luzhou Technology and Development Co., Ltd (北京天業綠洲科技發展有限公司)	484,608.93	484,608.93
Sub-total	66,361,361.51	484,608.93

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

18. Trade payables (continued)

(3) Notes to significant trade payables aged over 1 year

Name of entity	Amount	Reason for unsettlement
Provisional estimate for purchase of the old irrigation belt (each League of Farm 8) (廢舊滴灌帶收購暫估(農八師各團場))	10,262,976.90	Settlement unfinished for the large volume of business
Amount for provisional estimate for materials of sub-contract processing	11,106,540.00	Settlement unfinished for the large volume of business
Amount for materials of each storehouse	4,390,474.40	to be settled
Amount for materials outsourced from Jilin storehouse	1,846,620.82	to be settled
Sub-total	27,606,612.12	



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

19. Receipts in advance

(1) Details

Item	Closing balance	Opening balance
Payment for goods received in advance	73,667,854.53	66,273,003.68
Total	73,667,854.53	66,273,003.68

(2) There were no receipts in advance from shareholders or other related parties holding 5% or more in the voting shares of the Company at the period-end.

(3) Notes to significant receipts in advance aged over 1 year

Name of entity	Amount	Reason for unsettlement
Xinjiang Tianyu Water Saving Irrigation Technology and Development Co., Ltd* (新疆天禹節水灌溉技術開發有限公司)	4,069,032.21	Payment for materials to be settled due to the long working period
Construction and management office of water saving and upgrading project in relation to water right conversion of south irrigation district in Erdos City	2,267,968.16	Payment for materials to be settled due to the long working period
Chahayang Farm in Heilongjiang	2,165,800.00	Payment for materials to be settled due to the long working period
Hu Tu Bi County Tianshan Agricultural and Development Co., Ltd* (呼圖壁縣天山農場發展公司)	1,077,313.94	Payment for materials to be settled due to the long working period
Sub-total	9,580,114.31	

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

20. Accrued employee benefits

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Employee wages or bonuses, allowance and subsidies	366,719.38	55,094,225.61	54,036,068.66	1,424,876.33
Employee benefits	14,921.47	1,441,857.05	1,447,489.88	9,288.64
Social security	0	12,835,235.19	12,827,830.29	7,404.90
Inc: Medical insurance	0	4,984,364.57	4,984,058.67	305.90
Basic endowment assurance	0	11,273,673.12	11,272,993.07	680.05
Unemployment insurance	0	1,151,207.84	1,144,953.90	6,253.94
Work injury insurance	0	764,590.24	764,431.97	158.27
Maternity insurance	0	183,933.91	183,927.17	6.74
Others	0	0	0	0
Housing provident fund	7,008.35	5,825,255.41	5,832,263.76	0
Short-term profit sharing scheme	0	0	0	0
Union and education funds	3,267,101.84	1,399,699.20	1,221,597.83	3,445,203.21
Enterprise annuity	18,280.00	8,002,039.75	8,001,069.75	19,250.00
Other long-term employee benefits	0	0	0	0
Total	3,674,031.04	90,120,846.70	88,888,854.66	4,906,023.08

There were no delinquent amounts in closing accrued employee benefits.

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

21. Taxes payable

Item	Closing balance	Opening balance
VAT	2,301,397.61	4,271,884.02
Business tax	15,000.00	145,000.00
EIT	428,449.00	218,346.66
Individual income tax	79,545.46	72,778.25
City maintenance and construction tax	186,132.66	317,796.96
Property tax	36,000.00	36,000.00
Education surcharge	130,968.15	224,497.82
Stamp duty	67,509.36	16,987.21
Other	15,944.50	29,128.77
Total	3,260,946.74	5,332,419.69



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

22. Other payables

(1) Details

Item	Closing balance	Opening balance
Deposit	166,615.53	150,382.00
Temporary receipts payable	1,152,147.15	4,991,879.40
Current account	15,232,972.06	8,951,251.37
Others	1,095,570.20	1,113,110.69
Total	17,647,304.94	15,206,623.46

(2) Amounts due to shareholders or other related parties holding 5% or more in the voting shares of the Company

Name of entity	Closing balance	Opening balance
Xinjiang Tianye Company Limited	0	1,785,675.00
Sub-total	0	1,785,675.00

(3) Notes to significant other payables aged over 1 year

Name of entity	Closing balance	Nature and content of amount
Payment and receipt on behalf	1,304,007.33	Freights collected and paid on behalf
Sub-total	1,304,007.33	



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

23. Other non-current liabilities

(1) Details

Item	Closing balance	Opening balance
Product of Industrial water saving irrigation technologies and its promotion project	12,000,000.00	12,000,000.00
Development of high strength mulch plastic film production and machine recycling technologies	50,000.00	50,000.00
Total	12,050,000.00	12,050,000.00

(2) Government Grants

Item	Opening balance	Amount of new grants for the period	Amount recognised in Non-operating profits for the period	other movements	Closing balance	Relating to assets Relating to income
Product of Industrial water saving irrigation technologies and its promotion project	12,000,000.00	0	0	0	12,000,000.00	Relating to assets
Development of high strength mulch plastic film production and machine recycling technologies	50,000.00	0	0	0	50,000.00	Relating to assets
Sub-total	12,050,000.00	0	0	0	12,050,000.00	



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

23. Other non-current liabilities (continued)

(3) Other notes

- 1) Pursuant to the circular “Bing Cai Jian (2010) No.100” (兵財建(2010)100號) issued by the Finance Bureau of XPCC and the circular “Shi Cai Jian (2010) No.89” (師財建(2010)89號) issued by the Finance Bureau of XPCC Eighth Agricultural Division on the grant of special funds for commercialisation of research outputs, the Company was granted special funds of RMB12 million for industrial promotion of water saving irrigation technologies and products.
- 2) Pursuant to the circular “Shi Cai Fa [2009] No.161” (師財發[2009]161號) issued by the Finance Bureau of XPCC Thirteenth Agricultural Division on the payment of Thirteenth Agricultural Division technological project funds in 2009, the Company was granted special funds of RMB50,000 for the development of high strength Mulch plastic film production and machine recycling technologies.

24. Share capital

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Domestic shares	317,121,560.00	0	0	317,121,560.00
Overseas listed H shares	202,400,000.00	0	0	202,400,000.00
Total	519,521,560.00	0	0	519,521,560.00



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

25. Capital reserves

(1) Details

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Share premium	5,372,472.17	0	0	5,372,472.17
Other capital reserves	10,000,000.00	0	0	10,000,000.00
Total	15,372,472.17	0	0	15,372,472.17

(2) Other notes

Pursuant to the circular on special funds in central budget for Tianye Group's wasted drip belts recycling and reuse project with an annual capacity of 20,000 tons, which was issued by the Development and Reform Commission of XPCC Eighth Agricultural Division, the Company was granted special funds of RMB10 million in central budget for the project, which was transferred to capital reserves during the period.

26. Surplus reserves

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserves	29,413,237.60	0	0	29,413,237.60
Discretionary surplus reserves	5,333,289.20	0	0	5,333,289.20
Total	34,746,526.80	0	0	34,746,526.80



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Explanatory notes to items in the Consolidated Balance Sheet (continued)

27. Retained profits

Item	Amount	Percentage of withdrawal or allocation
Retained profits at previous period-end before adjustment	142,176,550.82	0
Adjustment to total opening retained profits (increase "+", decrease "-")	0	0
Opening retained profits after adjustment	142,176,550.82	0
Add: Net profits attributable to owners of the Parent Company	3,608,965.31	0
Less: Withdraw statutory surplus reserves	0	0
Closing retained profits	145,785,516.13	0

2. Explanatory notes to items in the Consolidated Statement of Income

1. Operating income/cost of sales

(1) Details

Item	Current period	Last period
Operating income from principal activities	684,155,811.74	762,836,791.23
Other operating income	7,391,627.61	0
Cost of sales	614,890,495.98	680,333,238.28

(2) Operating income/cost of sales from principal activities (by product)

Product	Current period		Last period	
	Income	Expenses	Income	Expenses
Drip films and drip assemblies	346,749,249.79	323,887,259.84	477,943,169.33	425,567,327.36
PVC/PE pipelines	308,837,845.73	257,325,768.26	279,398,155.25	251,114,509.41
Provision of installation services	28,568,716.22	28,568,802.31	5,495,466.65	3,651,401.51
Sub-total	684,155,811.74	609,781,830.41	762,836,791.23	680,333,238.28



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

1. Operating income/cost of sales (continued)

(3) Operating income/cost of sales from principal activities (by region)

Name of region	Current period	Last period
Xinjiang	389,163,622.12	475,660,479.25
PRC excluding Xinjiang	294,992,189.62	287,176,311.98
Sub-total	684,155,811.74	762,836,791.23

(4) Operating income from top 5 customers of the Company

Name of Customer	Operating income	Percentages occupied total income (%)
The 133rd Regiment of Eighth Agricultural Division	41,495,629.81	6.00
Fumeng County drip irrigation works in Liaoning water saving drip irrigation project	16,776,460.63	2.43
The 142nd Regiment of Eighth Agricultural Division	17,006,725.00	2.46
The 141st Regiment of Eighth Agricultural Division	16,818,948.32	2.43
The 121st Regiment of Eighth Agricultural Division	16,759,500.00	2.42
Sub-total	108,857,263.76	15.74



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

2. Business taxes and surcharges

Item	Current period	Last period	Basis
Business tax	1,085,477.59	270,117.90	
City maintenance and construction tax	802,867.20	2,156,828.57	See notes of tax in
Education surcharge	353,068.00	926,853.12	Financial
Local education surcharge	235,218.03	615,565.42	Statements
Other	75,628.56	50,984.33	
Total	2,552,259.38	4,020,349.34	

3. Distribution costs

Item	Current period	Last period
Salaries, benefits and social security contributions	12,736,372.45	14,319,940.43
Transportation costs	10,029,326.39	10,502,985.21
Sale service fee	445,720.83	539,302.76
Travel expenses	2,082,357.61	5,391,406.40
Compensation for products transferred out	2,144,622.15	4,609,618.81
Service fees	4,319,894.08	2,848,842.29
Sales commission	3,393,846.93	2,553,708.82
Depreciation charge	723,532.22	711,631.29
Warehousing and storage fees	1,131,362.22	660,823.58
Bidding expenses	1,092,039.10	58,660.00
Other	2,960,927.65	4,321,513.14
Total	41,060,001.63	46,518,432.73

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

4. Administrative expenses

Item	Current period	Last period
Salaries, benefits and social security contributions	13,079,168.30	12,186,810.82
Agency service fees	1,177,365.10	1,725,249.51
Taxes and levies	2,007,047.35	1,544,599.79
Depreciation and amortisation charge	632,174.50	804,902.14
Technology development fees	110,465.49	35,635.00
Car expenses	669,186.30	794,345.05
Premium for property insurance	331,281.76	496,922.65
Entertainment fees	480,413.31	677,244.78
Travel expenses	384,145.91	249,274.51
Losses of work suspension	428,213.58	150,651.37
Other	1,555,646.91	1,585,054.77
Total	20,855,108.51	20,250,690.39

5. Finance costs

Item	Current period	Last period
Interest expenses	4,054,838.88	5,614,565.00
Less: Interest income	499,542.57	395,964.39
Add: Exchange loss	1,096.06	5,049.36
Add: Service charge and other expenses	103,974.93	85,889.39
Total	3,660,417.30	5,309,539.36



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

6. Assets impairment loss

Item	Current period	Last period
Bad debt loss	2,351,733.67	-425,269.92
Inventory impairment loss	699,541.80	270,384.79
Total	3,051,275.47	-154,885.13

7. Investment income

Item	Current period	Last period
Investment income from disposal of financial assets held for trading	0	-472,500.00
Investment income from disposal of long-term equity investment	-640,901.45	0
Total	-640,901.45	-472,500.00

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

8. Non-operating profits

(1) Details

Item	Current period	Last period	Amount recognised in current non- recurring profit or loss
Total gain on disposal of non-current assets	316,477.54	2,123.00	316,477.54
Of which: Gain on disposal of fixed assets	316,477.54	2,123.00	316,477.54
Government grants	164,960.00	485,982.66	164,960.00
Fine income	15,899.41	13,807.05	15,899.41
Amounts not payable	538,738.82	1,740,609.90	538,738.82
Other	92,069.40	78,412.79	92,069.40
Total	1,128,145.17	2,320,935.40	1,128,145.17



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

8. Non-operating profits (continued)

(2) Details of government grants

Item	Current period	Last period	relating to assets relating to income	Notes
Innovation Funds from Shihezi Finance Bureau	150,000.00	0	relating to income	
Third prize awards won from the "New Product of the Autonomous Region"	10,000.00	0	relating to income	
Awards from Technology Bureau	2,800.00	0	relating to income	
Patent subvention	2,160.00	0	relating to income	
Financial grant for demonstration and promotion of drip irrigation technology for double cropping in Henan	0	100,000.00	relating to income	
Grant for SME to develop international market in 2011	0	68,100.00	relating to income	
National scientific and technological award 2011	0	100,000.00	relating to income	
Grant for famous-brand product of Gansu	0	34,000.00	relating to income	
Reduction and exemption of tax	0	183,882.66	relating to income	
Sub-total	164,960.00	485,982.66		

Notes to Financial Statements

For the year ended 31 December 2013



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

9. Non-operating losses

Item	Current period	Last period	Amount recognised in current non- recurring profit or loss
Net losses from disposal of fixed assets	44,039.62	0	44,039.62
Donation	5,000.00	2,800.00	5,000.00
Fines	7,076.98	2,375,090.69	7,076.98
liquidated damages	81,419.00	0	81,419.00
Other	50,093.36	46,473.15	50,093.36
Total	187,628.96	2,424,363.84	187,628.96

10. Income tax expenses

(1) Item

	Current period	Last period
Current income tax calculated under tax laws and relevant requirements	2,256,239.51	2,211,589.21
Deferred income tax adjustment	200,599.69	559,608.19
Total	2,456,839.20	2,771,197.40



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

10. Income tax expenses (continued)

(2) The adjustment table of income tax expenses and of accounting profit

Item	Current period	Last period
Total profits	5,777,495.84	5,983,497.82
EIT fees at tax rate of 25.00% (last year: 25.00%)	1,444,373.96	1,495,874.46
Income tax effect of being in the tax concessions period)	(587,925.02)	(240,068.53)
Tax effect of expenses not deductible	832,740.34	438,622.11
Tax effect reduced due to tax adjustment	(215,385.36)	(54,552.66)
Tax effect of deductible losses and deductible temporary differences not recognised	200,599.69	559,608.19
Income tax adjustment of last year	771,409.12	429,254.76
Effect of different tax rates of subsidiaries	11,026.47	142,459.08
Total	2,456,839.20	2,771,197.40



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Explanatory notes to items in the Consolidated Statement of Income (continued)

11. Calculations of basic and diluted earnings per share

(1) Calculations of basic earnings per share

Item	Number	Year of 2013
Net profits attributable to the ordinary shareholders of the Company	A	3,608,965.31
Total number of shares at beginning of the period	B	519,521,560.00
Increase in number of shares due to transfer from reserves to capital or distribution of scrip dividend	C	0
Increase in number of shares due to issuance of new shares or convertibles	D	0
Number of months from the month after increase in shares to end of reporting period	E	0
Decrease in number of shares due to repurchase	F	0
Number of months from the month after decrease in shares to the end of reporting period	G	0
Reduction in number of shares during the reporting period	H	0
Number of months in the reporting period	I	12.00
Weighted average number of outstanding ordinary shares	$J=B+C+D \times E/I - F \times G/I - H$	519,521,560.00
Basic earnings per share	$K=A/J$	0.01

(2) Calculations of diluted earnings per share

Calculations of diluted earnings per share are the same as the calculations of basic earnings per share.



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Explanatory notes to items in the consolidated statement of cash flows

1. Other cash received for operating activities

Item	Current period
Interest income	499,542.57
Deposit received and refund	1,078,766.69
Government grants received	164,960.00
Current account and petty cash	10,109,832.00
Total	11,853,101.26

2. Other cash paid for operating activities

Item	Current period
Cost of sales paid	23,410,859.53
Administrative expenses paid	4,703,180.86
Finance costs paid	103,974.93
Current account paid	10,066,299.08
Total	38,284,314.40



V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Explanatory notes to items in the consolidated statement of cash flows (continued)

3. Supplemental information to statement of cash flows

(1) Supplemental information to statement of cash flows

Supplemental information	Current period	Last period
1) Net profits reconciled to cash flow from operating activities:		
Net profits	3,320,656.64	3,212,300.42
Add: Provision for assets impairment	3,051,275.47	-154,885.13
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	16,826,417.94	22,352,134.55
Amortisation of intangible assets	297,065.82	296,144.63
Amortisation of long-term prepaid expenses	158,470.64	129,071.28
Loss on disposal of fixed, intangible and other long-term assets (gain shall be stated as "-")	-272,437.92	-2,123.00
Loss on retirement of fixed assets (gain shall be stated as "-")	0	0
Loss on changes in fair value (gain shall be stated as "-")	0	0
Finance cost (gain shall be stated as "-")	4,054,888.88	5,614,565.00
Investment cost (gain shall be stated as "-")	640,901.45	472,500.00
Decrease in deferred tax assets (increase shall be stated as "-")	200,599.69	559,608.19
Increase in deferred tax liabilities (decrease shall be stated as "-")	0	0
Decrease in inventories (increase shall be stated as "-")	8,426,529.40	21,059,082.98
Decrease in operating receivables (increase shall be stated as "-")	42,679,660.59	-32,061,563.78
Increase in operating payables (decrease shall be stated as "-")	34,968,878.54	50,434,619.87
Others	0	0
Net cash from operating activities	114,352,907.14	71,911,455.01
2) Major investing and financing activities not involving payment or receipt in cash:	0	0
Debt converted to capital	0	0
Convertible corporate bonds due within 1 year	0	0
Fixed assets under finance leases	0	0
3) Net change in cash and cash equivalents:	0	0
Closing cash balance	99,142,903.73	101,989,724.15
Less: Opening cash balance	101,989,724.15	61,391,380.49
Add: Closing cash equivalents balance	0	0
Less: Opening cash equivalents balance	0	0
Net increase in cash and cash equivalents	-2,846,820.42	40,598,343.66



Notes to Financial Statements

For the year ended 31 December 2013

V. EXPLANATORY NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Explanatory notes to items in the consolidated statement of cash flows (continued)

3. Supplemental information to statement of cash flows (continued)

(2) Composition of cash and cash equivalents

Item	Closing balance	Opening balance
1) Cash	99,142,903.73	101,989,724.15
Of which: Cash on hand	378.33	420.18
Bank deposits readily available for payment	99,010,126.68	101,856,905.25
Other cash readily available for payment	132,398.72	132,398.72
Central bank deposits available for payment	0	0
Deposits in peer	0	0
Lendings to peer	0	0
2) Cash equivalents	0	0
Of which: Bond investment due within 3 months	0	0
3) Closing cash and cash equivalents	99,142,903.73	101,989,724.15

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Related parties

1. Parent Company of the Company

Name of the Parent Company	Relationship	Type	Place of registration	Legal representative	Nature of business
Xinjiang Tianye Company Limited	Holding company	Stock company	Shihezi, Xinjiang Uygur Autonomous Region	Wu Bin	Manufacturing



VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

1. Related parties (continued)

1. Parent Company of the Company (continued)

Name of the Parent Company	Registered capital	Percentage of shareholding of the Parent Company in the Company (%)	Percentage of voting rights of the Parent Company in the Company (%)	Ultimate controller of the Company	Organisation number
Xinjiang Tianye Company Limited	RMB438.592 million	38.91	38.91	Xinjiang Tianye (Group) Limited	22860144-3

Yu Tianchi resigned as legal representative of Xinjiang Tianye Co., Ltd. as at 18 January 2014, according to the resolutions passed on the First EGM for the year of 2014 held by Xinjiang Tianye Company Limited as at 11 February 2014, Wu Bin was appointed as the legal representative of the Parent Company.

- For subsidiaries of the Company, refer to business combination and consolidated financial statements in the Notes to Financial Statements.
- Other related parties of the Company**

Name of other related parties	Relationship between other related parties and the Company	Organisation number
Xinjiang Shihezi City Changyun Biochemical Co., Ltd* (新疆石河子市長運生化有限責任公司)	Controlling subsidiary of the Parent Company	71894627-6
Shihezi Taian Construction and Engineering Co., Ltd* (石河子泰安建築工程有限公司)	Controlling subsidiary of the Parent Company	71087939-8
Shihezi Development Zone Tianye Chemical Co., Ltd* (石河子開發區天業化工有限責任公司)	Controlling subsidiary of the Parent Company	66062239-0
Shihezi Tianye Tomato Products Co., Ltd* (石河子天業番茄製品有限公司)	Controlling subsidiary of the Parent Company	71297749-3
Xinjiang Shihezi Zhongfa Chemical Co., Ltd* (新疆石河子中發化工有限責任公司)	Controlling subsidiary of the Parent Company	23110186-1

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

1. Related parties (continued)

3. Other related parties of the Company (continued)

Name of other related parties	Relationship between other related parties and the Company	Organisation number
Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司)	Ultimate holding company	29989883-8
Shihezi Development Zone Huiye Information Technology Co., Ltd* (石河子開發區匯業信息技術有限責任公司)	Subsidiary of ultimate holding company	74865623-7
Shihezi Development Zone Huineng Industrial Equipment Installation Co., Ltd* (石河子開發區匯能工業設備安裝有限公司)	Subsidiary of ultimate holding company	75458962-4
Shihezi Nanshan Cement Plant* (石河子南山水泥廠)	Subsidiary of ultimate holding company	23108265-6
Shihezi Development Zone Tianye Thermal Power Co., Ltd* (石河子開發區天業熱電有限責任公司)	Subsidiary of ultimate holding company	77039122-0
Jinghe County Jingyi Mining Co., Ltd* (精河縣晶羿礦業有限公司)	Subsidiary of ultimate holding company	23108265-6
Tuokexun County Tianye Mining Development Co., Ltd* (托克遜縣天業礦產開發有限公司)	Subsidiary of ultimate holding company	69781623-6
Tianneng Chemical Co., Ltd* (天能化工有限公司)	Subsidiary of ultimate holding company	55243347-x
Tianchen Chemical Co., Ltd* (天辰化工有限公司)	Subsidiary of ultimate holding company	79817784-0
Xinjiang Tianye (Group) Mining Co., Ltd* (新疆天業集團礦業有限公司)	Subsidiary of ultimate holding company	67925996-6
Xinjiang Tianye Zhonghua Mining Co., Ltd* (新疆天業中華礦業有限責任公司)	Subsidiary of ultimate holding company	69340199-x
Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd* (石河子開發區天業車輛維修服務有限公司)	Subsidiary of ultimate holding company	78178371-3
Xinjiang Tianzhi Chenye Chemical Co., Ltd* (新疆天智辰業化工有限公司)	Subsidiary of ultimate holding company	06208179-0
Shihezi Development Zone Qingsong Tianye Cement Co., Ltd* (石河子開發區青松天業水泥有限公司)	Subsidiary of ultimate holding company	77349011-x

* for identification purpose only



VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party transactions

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services

1) Related party transactions regarding purchase of goods and receipt of services

Related party	Details of related party transaction	Pricing and decision process of related party transaction	Current period		Last period	
			Amount	Share of	Amount	Share of
				similar transaction		similar transaction
			Amount	amount (%)	Amount	amount (%)
Xinjiang Tianye Company Limited	Raw materials procurement	Market price	9,875,407.75	1.61	55,687,955.56	8.19
Xinjiang Shihezi City Changyun Biochemical Co., Ltd* (新疆石河子市長運生化有限責任公司)	Industrial electricity	Market price	3,307,176.41	0.54	3,304,152.25	0.49
Shihezi Development Zone Huiye Information Technology Co., Ltd* (石河子開發區匯業信息技術有限責任公司)	Raw materials procurement	Market price	0	0	2,549,435.50	0.37
Tianchen Chemical Co., Ltd* (天辰化工有限公司)	Raw materials procurement	Market price	0	0	66,997.90	0.01
Shihezi Development Zone Huineng Industrial Equipment Installation Co., Ltd* (石河子開發區匯能工業設備安裝有限公司)	Raw materials procurement	Market price	1,108,289.20	0.18	20,155.00	0
Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd* (石河子開發區天業車輛維修服務有限公司)	Repair of vehicles	Market price	41,034.47	0.01	61,196.18	0.01
Xinjiang Tianye (Group) Limited	Raw materials procurement and others	Market price	140,148,351.86	22.79	107,857.75	0.02
Shihezi Development Zone Tianye Thermal Power Co., Ltd* (石河子開發區天業熱電有限責任公司)	Raw materials procurement and others	Market price	64,430.73	0.01	0	0
Total			154,544,690.42	25.14	61,797,750.14	9.09

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party transactions (continued)

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services (continued)

2) Related party transactions regarding sale of goods and rendering of services

Related party	Details of related party transaction	Pricing and decision process of related party transaction	Current period		Last period	
			Amount	Share of similar transaction amount (%)	Amount	Share of similar transaction amount (%)
Xinjiang Shihezi City Changyun Biochemical Co., Ltd* (新疆石河子市長運生化有限責任公司)	Sale of water saving products	Market price	1,644.88	0.00	0	0
Shihezi Taian Construction and Engineering Co., Ltd* (石河子泰安建築工程有限公司)	Sale of water saving products	Market price	183,934.46	0.03	26,911.38	0.00
Xinjiang Tianye Company Limited	Sale of water saving products	Market price	1,295,821.79	0.19	157,863.09	0.02
Shihezi Development Zone Tianye Chemical Co., Ltd* (石河子開發區天業化工有限公司)	Sale of water saving products	Market price	950,835.15	0.14	7,705.72	0.00
Shihezi Tianye Tomato Products Co., Ltd* (石河子天業番茄製品有限公司)	Sale of water saving products	Market price	79,474.38	0.01	105,948.03	0.01
Zhongfa Chemical (中發化工)	Sale of water saving products	Market price	41,025.64	0.01	0	0
Xinjiang Tianye (Group) Limited	Sale of water saving products	Market price	490,265.30	0.07	967,273.92	0.13
Shihezi Development Zone Huineng Industrial Equipment Installation Co., Ltd* (石河子開發區匯能工業設備安裝有限公司)	Sale of water saving products	Market price	21,784.28	0.00	3,499.45	0.00
Shihezi Nanshan Cement Plant* (石河子南山水泥廠)	Sale of water saving products	Market price	0	0	63,374.00	0.01
Shihezi Development Zone Tianye Thermal Power Co., Ltd* (石河子開發區天業熱電有限責任公司)	Sale of water saving products	Market price	28,293.52	0.00	3,457.90	0.00
Tianchen Chemical Co., Ltd* (天辰化工有限公司)	Sale of water saving products	Market price	589,765.33	0.09	84,458.47	0.01
Jinghe County Jingyi Mining Co., Ltd* (精河縣晶羿礦業有限公司)	Sale of water saving products	Market price	75,582.11	0.01	0	0
Tuokexun County Tianye Mining Development Co., Ltd* (托克遜縣天業礦產開發有限公司)	Sale of water saving products	Market price	6,792.08	0.00	39,802.70	0.01
Tianneng Chemical Co., Ltd* (天能化工有限公司)	Sale of water saving products	Market price	442,351.24	0.06	102,757.80	0.01
Xinjiang Tianye (Group) Mining Co., Ltd* (新疆天業集團礦業有限公司)	Sale of water saving products	Market price	0	0	77,806.40	0.01
Shihezi Development Zone Huiye Information Technology Co., Ltd* (石河子開發區匯業信息技術有限責任公司)	Sale of water saving products	Market price	0	0	1,795.36	0.00
Xinjiang Tianye Zhonghua Mining Co., Ltd* (新疆天業仲華礦業有限責任公司)	Sale of water saving products	Market price	0	0	1,900.00	0.00
Xinjiang Tianzhi Chenye Chemical Co., Ltd* (新疆天智辰業化工有限公司)	Sale of water saving products	Market price	52,957.55	0.01	0	0
Shihezi Development Zone Qingsong Tianye Cement Co., Ltd* (石河子開發區青松天業水泥有限公司)	Sale of water saving products	Market price	43,998.89	0.01	0	0
Total			4,304,526.60	0.63	1,644,554.22	0.21

* for identification purpose only



VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

2. Related party transactions (continued)

2. Related party leases

(1) Details

1) The Company as lessor

Name of lessor	Name of lessee	Type of leased assets	From	To	Pricing basis of received rent	Received rent recognised for the year
The Company	Xinjiang Tianye Company Limited	Buildings	2013.1.1	2013.12.31	Market price	600,000.00

2) The Company as lessee

Name of lessor	Name of lessee	Type of leased assets	From	To	Pricing basis of paid rent	Paid rent recognised for the year
Xinjiang Tianye Company Limited	The Company	Office and plant	2011.7.1	2014.6.30	Market price	1,455,820.00
Xinjiang Tianye Company Limited	Tianye Material Recycling Corporation	Office	2011.7.1	2014.6.30	Market price	4,320.00

3. Related party guarantees

Guarantor	Secured party	Guarantee amount	From	Guarantee to performed
Xinjiang Tianye Company Limited	The Company	50,000,000.00	2012.11.30	2013.5.28 Yes
Xinjiang Tianye (Group) Limited	The Company	50,000,000.00	2012.12.25	2013.12.25 Yes

4. Trademark License

Pursuant to a trademark license agreement entered into between Xinjiang Tianye (Group) Limited and the Company, Xinjiang Tianye (Group) Limited has granted, at nil consideration, to the Company the right to use a registered trademark on 17 kinds of rubber bands, sealants, agricultural plastic films, plastic pipelines, poles, plates, strip, non-metal hoses, insulating materials, non-metal horseshoes, non-conducting materials for retaining heat, and waterproof packing products from 1 December 2010 to 31 December 2013.



Notes to Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

3. Amounts due to related parties

Item	Related parties	Closing balance	Opening balance
Other receivables	Xinjiang Shihezi Tianye Tomato Products Co., Ltd* (新疆石河子天業番茄製品有限公司)	94,445.20	0
Payables	Beijing Tianye Lvzhou Technology Development Co., Ltd. (北京天業綠洲科技發展有限公司)	484,608.93	484,608.93
Other payables	Xinjiang Tianye Company Limited	0	1,785,675.00
Payables	Marketing center of Xinjiang Tianye (Group) Co., Ltd.* (新疆天業(集團)有限公司營銷管理中心)	65,876,752.58	0

4. Emolument of key management personnel

Emolument of the directors, supervisors and other senior management disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

1. Compensation to key management personnel

Item	Current period	Last period
Compensation to key management personnel	3,763,502.10	3,563,221.89



VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Emolument of key management personnel (continued)

2. Remuneration paid to the directors and supervisors during the year:

Item	2013	2012
Executive directors		
Yin Xiu Fa	0	0
Shi Xiang Shen	0	0
Li Shuang Quan	517,622.30	502,941.67
Zhang Qiang	453,959.23	0
Zhu Jia Ji	453,719.23	449,874.63
Chen Lin	0	0
Shao Mao Xu	245,051.23	225,002.62
Sub-total	1,670,351.99	1,177,818.92
Independent non-executive directors		
Cao Jian	17,500.00	0
Qin Ming	17,500.00	0
Yin Feihu	17,500.00	0
He Lin Wang	12,500.00	30,000.00
Xia Jun Min	12,500.00	30,000.00
Gu Lie Feng	12,500.00	30,000.00
Mak King Sau	46,800.00	48,600.00
Wang Yun	12,500.00	30,000.00
Sub-total	149,300.00	168,600.00
Supervisors:		
Han Pan	229,582.83	0
Ni Mei Lan	250,259.83	233,122.75
He Jie	42,000.00	42,000.00
Huang Jun Lin	12,500.00	30,000.00
Zhou Qian	0	0
Sub-total	534,342.66	305,122.75
Total	2,353,994.65	1,651,541.66



Notes to Financial Statements

For the year ended 31 December 2013

VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Emolument of key management personnel (continued)

2. Remuneration paid to the directors and supervisors during the year: (continued)

The compensation and retirement benefit of Yin Xiu Fa and Chen Lin were paid by Xinjiang Tianye Company Limited, and the Company was not required to reimburse the compensation and retirement benefit paid by Xinjiang Tianye Company Limited. Yin Xiu Fa resigned as the Executive Director of the Company as at 31 May 2013.

The compensation and retirement benefit of Shi Xiang Shen were paid by Xinjiang Tianye (Group) Limited, and the Company was not required to reimburse the compensation and retirement benefit paid by Xinjiang Tianye (Group) Limited. Shi Xiang Shen resigned as the Executive Director of the Company as at 31 May 2013.

Zhang Qiang was appointed as the Executive Director of the Company as at 31 May 2013.

Cao Jian, Qin Ming and Yin Feihu were appointed as the Independent Non-executive Director of the Company as at 31 May 2013.

Independent Non-executive Directors, including Cao Jian, Qin Ming, Yin Feihu, Mak King Sau, entitle their respective retirement benefits from the respective organizations or companies which they are serving. Therefore, they do not entitle to any retirement benefits of the Company.

Mr. He Jie and Mr. Huang Junlin are independent supervisors of the Company and they received retirement benefits from their respective organization or companies which they are serving. Therefore, they do not entitle to any retirement benefits of the Company.

Mr. He Lin Wang, Mr. Wang Yun, Mr. Xia Jun Min and Mr. Gu Lie Feng retired as the Directors of the Company on 31 May 2013.

Ms. Ni Mei Lan and Mr. He Jie retired as the Supervisors of the Company on on 31 May 2013.

Mr. Han Pan was appointed as the Employee Supervisor of the Company on 13 May 2013.



VI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

4. Emolument of key management personnel (continued)

2. Remuneration paid to the directors and supervisors during the year: (continued)

The compensation and retirement benefit of Mr. Zhou Qian were paid by Xinjiang Tianye (Group) Limited. The Company did not have to pay for the compensation and retirement benefit which had been paid by the Xinjiang Tianye (Group) Limited.

3. Five highest paid individuals

Of the five individuals with the highest emoluments in the Company, there are three directors for the year (2012: three) whose emoluments are included in Note 6(4).2. The emoluments of the remaining two (2012: two) individuals were as follows:

Item	Current period	Last period
Salaries and other benefits	854,741.63	995,244.10
Retirement benefits scheme contributions	98,943.60	212,834.64
Sub-total	953,685.23	1,208,078.74

The emoluments of each of the five highest paid individuals in the Company are less than RMB1 million.

VII. CONTINGENCIES

As of the balance sheet date, the Company had no material contingencies that should be disclosed.

VIII. COMMITMENTS

As of the balance sheet date, the Company had no material commitments that should be disclosed.

IX. POST BALANCE SHEET EVENT

The Company had no disclosable event occurring after the balance sheet date and up to the date of approval of these financial statements.



Notes to Financial Statements

For the year ended 31 December 2013

X. OTHER SIGNIFICANT MATTERS

1. Segment reporting

The Company regularly analyses its revenues by business operations, including design, manufacture, installation and sale of irrigation system and equipment. The operation of the Company constitutes one single reportable segment under the provisions on segment information in business statements of the No.3 Interpretation of ASBE and accordingly, no separate segment information is prepared.

The Company's business during the period came from sales in PRC. Further, the segment assets and capital expenditure by geographical area in which the assets are located are substantially located in the PRC.

There were no customers with whom transactions have exceeded 10.00% of the Company's operating income during the year.

2. Financial instruments and risk management

The Company's financial instruments mainly include bill receivables, trade receivables, equity investment, borrowings, bill payables and trade payables. For details of each of these financial instruments, refer to the relevant notes. The Company has adopted appropriate risk management policies to mitigate the risks associated with these financial instruments. The management manages and monitors these exposures to ensure they are confined in a controlled scope.



X. OTHER SIGNIFICANT MATTERS (continued)

2. Financial instruments and risk management (continued)

1. Categories of financial instruments

Details	Closing balance	Opening balance
Financial assets	0	0
Cash	99,142,903.73	111,742,324.15
Bill receivables	4,390,000.00	2,850,000.00
Receivables (note 1)	105,010,072.86	149,288,481.12
Sub-total	208,542,976.59	263,880,805.27
Financial liabilities	0	0
Short-term borrowings	0	100,000,000.00
Bill payables	0	0
Payables (note 2)	209,075,912.43	184,065,285.60
Sub-total	209,075,912.43	284,065,285.60

Note 1: Receivables include trade receivables and other receivables

Note 2: Payables include trade payables and other payables

2. Risk management objectives and policies

The Company manages its risks to balance risks with return, minimise the adverse effect of risks on the Company's results of operations, and maximize the return to shareholders and other stakeholders. Based on this, the basic strategy used by the Company for risk management is to identify and analyse various risks facing the Company, establish suitable risk tolerance limit and manage the risks within a controlled range by monitoring them in a timely and reliable manner.



Notes to Financial Statements

For the year ended 31 December 2013

X. OTHER SIGNIFICANT MATTERS (continued)

2. Financial instruments and risk management (continued)

2. Risk management objectives and policies (continued)

(1) Market risk

1) Foreign currency risk

Foreign currency risk refers to the risk that arises from movement in foreign currency exchange rate. The majority of the Company's operations and transactions are in the PRC with their functional currency of RMB. Foreign currency risk during the period mainly related to HKD. As of 31 December 2013, the Company's assets and liabilities were denominated in RMB, except for the following HKD-denominated item:

Item	Closing balance		Opening balance	
	Original currency amount	RMB equivalent	Original currency amount	RMB equivalent
HKD	12,975.38	10,201.24	80,719.13	65,495.50

The Company has a relatively small amount of deposits denominated in foreign currency. Day-to-day foreign expenses mainly used to pay the fees for making disclosure on the Stock Exchange and newspapers, so change in exchange rate had an insignificant impact on the Company.

2) Cash flow and fair value interest rate risk

Other than bank deposits, the Company does not have significant interest-bearing assets. Any change in the interest rate is not considered to have significant impact to the Company's performance.

The interest rate risk which affects the Company mainly arises from bank borrowings. The bank borrowings were at fixed rates and expose the Company to interest rate risk of cash flow.

The Company has repaid all bank borrowings at the end of the period.



X. OTHER SIGNIFICANT MATTERS (continued)

2. Financial instruments and risk management (continued)

2. Risk management objectives and policies (continued)

(2) Credit risk

As at 31 December 2013, the Company's maximum exposure to credit risk arose from the inability to recover trade receivables due to the counter parties failure to perform their agreed obligations.

To mitigate credit risk, the Company reviews the recoverability of each single trade receivable at each balance sheet date, ensuring sufficient bad-debt provisions have been made for uncoverable amounts. The management of the Company believe that the credit risk suffered by the Company has been reduced significantly.

The Company is exposed to limited credit risk on bank deposits as its cash was placed in banks with high credit ratings.

Because the Company's trade receivable risks were diversified into a range of partners and customers, as of 31 December 2013, 6.00% and 15.74% of the Company's operating income came from its largest customer and the top 5 customers. As such, the Company did not have any significant concentration of credit risk.

(3) Liquidity risk

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.



Notes to Financial Statements

For the year ended 31 December 2013

X. OTHER SIGNIFICANT MATTERS (continued)

2. Financial instruments and risk management (continued)

3. Fair value

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

The fair value of financial assets and financial liabilities with standard terms and an active market is determined by reference to the prevailing bid and ask price in the active market responsively.

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.

4. Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, provide returns to shareholders and benefits to other stakeholders, while maintaining the optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of short-term bank borrowings, bank deposits and equity attributable to shareholders of the Company. The management determines the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as repayment of existing borrowings.



X. OTHER SIGNIFICANT MATTERS (continued)

2. Financial instruments and risk management (continued)

4. Capital Risk Management (continued)

The Company monitors capital risk using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity of owners plus net debt. As at 31 December 2013, the Company's equity ratio was -15.70% (2012: -1.64%). The Company's gearing ratio is low.

	Current year	Last year
Total borrowings	0	100,000,000.00
Less: Cash and cash equivalents	99,142,903.73	111,742,324.15
Net debt	-99,142,903.73	-11,742,324.15
Equity of owners	730,607,346.84	729,835,547.75
Total capital	631,464,443.11	718,093,223.60
Gearing ratio	-15.70%	-1.64%

3. Miscellaneous

Other receivables of the Company from Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司) ("Xinjiang Aral") amounted to RMB14,996,171.60, Xinjiang Aral is in liquidation, and the result of which has not been finalized yet.



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Explanatory notes to items in the Balance Sheet of the Company

1. Trade receivables

(1) Details

1) Details by category

Category	Closing balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	50,186,731.35	61.01	0	0
For which bad debt provision made on a group basis:				
— Aging analysis group	13,455,375.91	16.36	6,020,506.59	44.74
Individually insignificant but for which bad debt provision has been separately made	18,624,439.15	22.63	344,395.12	1.85
Total	82,266,546.41	100.00	6,364,901.71	7.74

Category	Opening balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	105,032,704.25	75.37	179,365.52	0.17
For which bad debt provision made on a group basis:				
— Aging analysis group	17,656,256.58	12.67	6,250,334.51	35.40
Individually insignificant but for which bad debt provision has been separately made	16,661,714.51	11.96	0	0
Total	139,350,675.34	100.00	6,429,700.03	4.61

Notes to Financial Statements

For the year ended 31 December 2013



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

1. Trade receivables (continued)

(1) Details (continued)

- 2) Trade receivables individually significant and for which bad debt provision has been separately made

Trade receivables	Book value	Bad-debt provision	Provision percentage (%)	Reason for provision
Sales of goods	50,186,731.35	0	0	Bad debt provision has been separately made for state land treatment project and government tendering project
Sub-total	50,186,731.35	0	0	

- 3) Trade receivables for which bad debt provision has been made using the aging analysis method in the group

Age	Closing balance			Opening balance		
	Book value	Percentage	Bad-debt	Book value	Percentage	Bad-debt
	Amount	(%)	provision	Amount	(%)	provision
Within 1 year	5,776,846.66	42.94	57,768.47	7,542,123.86	42.72	75,421.24
1-2 years	3,431,582.28	25.50	1,715,791.15	7,878,438.91	44.62	3,939,219.46
2-3 years	3,963,503.12	29.46	3,963,503.12	895,436.05	5.07	895,436.05
3-4 years	2,750.00	0.02	2,750.00	239,041.07	1.35	239,041.07
4-5 years	90,724	0.67	90,724.00	1,101,216.69	6.24	1,101,216.69
Over 5 years	189,969.85	1.41	189,969.85	0	0	0
Sub-total	13,455,375.91	100.00	6,020,506.59	17,656,256.58	100.00	6,250,334.51



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

1. Trade receivables (continued)

(1) Details (continued)

- 4) Trade receivables individually insignificant but for which bad debt provision has been separately made at the period-end

Trade receivables	Book balance	Bad-debt provision	Provision percentage	Reason for provision
Loan	14,703,582.77	344,395.12	2.34%	Bad debt provision has been separately made for state land treatment project and government tendering project
Sub-total	14,703,582.77	344,395.12	2.34%	

- (2) There were no amounts due from shareholders or other related parties holding 5% or more in the voting shares of the Company at the period-end.



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

1. Trade receivables (continued)

(3) Trade receivables from top 5 accounts

Name of entity	Relationship with the Company	Book balance	Age	Share of trade receivable balance (%)
Fumeng County drip irrigation works in Liaoning water saving drip irrigation project	Non-related party	5,095,660.81	1-2 years	9.10
JiLin Irrigation Development Co., Ltd.	Non-related party	5,000,000.00	1-2 years	8.93
Finance Bureau of Beizhen, Liaoning	Non-related party	3,546,000.00	Within 1 year	6.33
Rural Economic Development Office of Linghai	Non-related party	2,761,283.08	2-3 years	4.93
People's Government of Jianchang County, Huludao	Non-related party	2,707,988.51	Within 1 year	4.84
Sub-total		19,110,932.40		34.13



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

2. Other receivables

(1) Details

1) Details by category

Category	Closing balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	22,179,279.50	17.18	0	0
For which bad debt provision made on a group basis:				
— Aging analysis group	2,873,908.28	2.23	1,514,825.53	52.71
— Individually assessment group	102,836,834.67	79.63	0	0
Sub-total	105,710,742.95	81.86	1,514,825.53	1.43
Individually insignificant but for which bad debt provision has been separately made	1,239,023.20	0.96	0	0
Total	129,129,045.65	100.00	1,514,825.53	1.17

Category	Opening balance			
	Book value		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and for which bad debt provision has been separately made	2,150,000.00	2.19	0	0
For which bad debt provision made on a group basis:				
Aging analysis group	2,992,097.07	3.05	1,121,777.87	37.49
Individually assessment group	86,711,041.80	88.27	0	0
Sub-total	89,703,138.87	91.32	1,121,777.87	1.25
Individually insignificant but for which bad debt provision has been separately made	6,373,107.18	6.49	311,354.03	4.89
Total	98,226,246.05	100.00	1,433,131.90	1.46

Notes to Financial Statements

For the year ended 31 December 2013



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(1) Details (continued)

- 2) Closing other receivables individually significant and for which bad debt provision has been separately made

Other receivables	Book value	Bad-debt provision	Percentage of provision (%)	Reason for provision
Project payment advance to government	9,102,620.28	0	0	No bad-debt provision was made for advance payment for government project
Xinjiang Aral Tian Nong Water Saving Irrigation Co., Ltd.	13,076,659.22	0	0	Subsidiaries are in liquidation
Sub-total	22,179,279.50			

- 3) Other receivables for which bad debt provision has been collectively made using the aging analysis method in the group

Age	Closing balance			Opening balance		
	Book value Amount	Percentage (%)	Bad-debt provision	Book value Amount	Percentage (%)	Bad-debt provision
Within 1 year	1,106,221.57	38.49	11,062.22	1,490,067.35	49.80	14,900.67
1-2 years	527,846.80	18.37	263,923.40	790,305.05	26.41	395,152.53
2-3 years	530,000.00	18.44	530,000.00	623,772.46	20.85	623,772.46
3-4 years	621,887.70	21.64	621,887.70	47,952.21	1.60	47,952.21
4-5 years	47,952.21	1.67	47,952.21	0	0	0
Over 5 years	40,000.00	1.39	40,000.00	40,000.00	1.34	40,000.00
Sub-total	2,873,908.28	100.00	1,514,825.53	2,992,097.07	100.00	1,121,777.87



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(1) Details (continued)

- 4) Other receivables for which bad debt provision has been made using the individually assessment group

Name of entity	Book value	Bad-debt provision	Provision percentage	Reason for provision
Akesu Tianye	58,890,254.95	0	0	Subsidiary subject to consolidation
Hami Tianye	5,502,509.83	0	0	Subsidiary subject to consolidation
Kuitun Jieshui	26,678,651.99	0	0	Subsidiary subject to consolidation
Tiancheng Water Saving	11,670,972.70	0	0	Subsidiary subject to consolidation
Xinjiang Shihezi Tianda Tomato Products Co., Ltd. (新疆石河子天達番茄制品有限責任公司)	94,445.20	0	0	Controlling subsidiary of the Company
Sub-total	102,836,834.67	0	0	



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(1) Details (continued)

- 5) Other receivables individually insignificant and for which bad debt provision has been separately made at the period-end

Other receivables	Book value	Bad-debt provision	Provision percentage	Reason for provision
Project payment advance to government	1,239,023.20	0	0	No bad-debt provision was made for advance payment for government project
Sub-total	1,239,023.20	0	0	

- (2) There were no amounts due from shareholders holding 5% or more in the voting shares of the Company at the period-end.



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(3) Other receivables from top 5 accounts

Name of entity	Relationship with the Company	Book value	Age	Share of other receivable balance (%)	Nature or content of amount
Akesu Tianye Water Saving Co., Ltd*	Subsidiary	58,890,254.95	1-2 years	45.61	Current account
Kuitun Tiantun Water Saving Co., Ltd*	Subsidiary	26,678,651.99	1-4 years	20.66	Current account
Shihezi Tiancheng Water Saving Device Co., Ltd*	Subsidiary	11,670,972.70	1-2 years	9.04	Current account
Xinjiang Aral Tiannong Water Saving Co., Ltd*	Subsidiary in liquidation	13,076,659.22	1-3 years	10.13	Current account
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd*	Subsidiary	5,502,509.83	Within 1 year	4.26	Current account
Sub-total	Subsidiary	115,819,048.69		89.70	

* for identification purpose only



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(4) Other amounts due from related parties

Name of entity	Relationship with the Company	Book value	Share of other receivable balance (%)
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司)	Liquidating subsidiary	13,076,659.22	10.13
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司)	Subsidiary	5,502,509.83	4.26
Kuitun Tiantun Water Saving Co., Ltd* (奎屯天屯節水有限公司)	Subsidiary	26,678,651.99	20.66
Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水灌溉有限公司)	Subsidiary	58,890,254.95	45.61
Shihezi Tiancheng Water Saving Device Co., Ltd (石河子市天誠節水器材有限公司)	Subsidiary	11,670,972.70	9.04
Hejing Branch of Xinjiang Shihezi Tianda Tomato Products Co., Ltd. (新疆石河子天達番茄制品有限責任公司和靜分公司)	Controlling subsidiary of the Company	94,445.20	0.07
Sub-total		115,913,493.89	89.77

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

3. Long-term equity investment

Investees	Accounting method	Investment cost	Opening balance	Movement	Closing balance
Shihezi Development Zone Tianye Water Saving Engineering Installation Co., Ltd* (石河子開發區天業節水工程安裝有限責任公司)	Cost method	0	9,500,000.00	-9,500,000.00	0
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司)	Cost method	11,549,490.47	11,549,490.47	0	11,549,490.47
Kuitun Tiantun Water Saving Co., Ltd* (奎屯天屯節水有限公司)	Cost method	12,000,000.00	12,000,000.00	0	12,000,000.00
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd* (北京天業潤華節水灌溉技術有限公司)	Cost method	1,530,000.00	1,530,000.00	0	1,530,000.00
Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水灌溉有限公司)	Cost method	40,000,000.00	40,000,000.00	0	40,000,000.00
Shihezi Tiancheng Water Saving Device Co., Ltd (石河子市天誠節水器材有限公司)	Cost method	10,260,000.00	9,000,000.00	1,260,000.00	10,260,000.00
Shihezi Tianye Material Recycling Co., Ltd* (石河子天業物資回收有限責任公司)	Cost method	2,470,000.00	2,470,000.00	0	2,470,000.00
Gansu Tianye	Cost method	61,414,950.00	61,414,950.00	30,000,000.00	61,414,950.00
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司)	Cost method	0	5,190,830.27	-5,190,830.27	0
Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司)	Cost method	10,000,000.00	0	10,000,000.00	10,000,000.00
Total		149,224,440.47	152,655,270.74	-3,430,830.27	149,224,440.47

* for identification purpose only

Notes to Financial Statements

For the year ended 31 December 2013



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

1. Explanatory notes to items in the Balance Sheet of the Company (continued)

3. Long-term equity investment (continued)

Investees	Percentage of shareholding (%)	Percentage of voting rights (%)	Notes on inconsistency between percentage of shareholding and percentage of voting rights		Impairment provision	Impairment provision for the period	Cash dividends for the period
			shareholding and percentage of voting rights	percentage of			
Shihezi Development Zone Tianye Water Saving Engineering Installation Co., Ltd* (石河子開發區天業節水工程安裝有限責任公司)	95.00%	95.00%	0	0	0	0	0
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司)	60.00%	60.00%	0	0	0	0	0
Kuitun Tiantun Water Saving Co., Ltd* (奎屯天屯節水有限公司)	100.00%	100.00%	0	0	0	0	0
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd* (北京天業潤華節水灌溉技術有限公司)	51.00%	51.00%	0	0	0	0	0
Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水灌溉有限公司)	100.00%	100.00%	0	0	0	0	0
Shihezi Tiancheng Water Saving Device Co., Ltd (石河子市天誠節水器材有限公司)	60.00%	60.00%	0	0	0	0	0
Shihezi Tianye Material Recycling Co., Ltd* (石河子天業物資回收有限責任公司)	98.00%	98.00%	0	0	0	0	0
Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水器材有限公司)	100.00%	100.00%	0	0	0	0	0
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd* (新疆阿拉爾天農節水灌溉有限責任公司)	51.00%	51.00%	0	5,190,830.27	5,190,830.27	0	0
Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司)	100.00%	100.00%	0	0	0	0	0

* for identification purpose only



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Explanatory notes to items in the Income Statement of the Company

1. Operating income/Cost of sales

(1) Details

Items	Current period	Last period
Operating income from principal activities	616,865,713.58	638,088,329.55
Other operating income	6,014,011.62	0
Cost of sales	574,977,517.72	578,995,257.91

(2) Operating income/cost of sales from principal activities (by product)

Name of product	Current period		Last period	
	Income	Expenses	Income	Expenses
Drip films and drip assemblies	411,518,965.88	394,172,751.10	468,668,657.55	429,445,148.05
PVC/PE pipelines	177,391,570.74	147,141,065.75	163,864,321.35	145,898,708.35
Provision of installation services	27,955,176.96	27,887,031.58	5,555,350.65	3,651,401.51
Total	616,865,713.58	569,200,848.43	638,088,329.55	578,995,257.91

(3) Operating income from principal activities (by region)

Name of region	Current period	Last period
Xinjiang	420,702,878.93	350,912,017.57
PRC excluding Xinjiang	196,162,834.63	287,176,311.98
Sub-total	616,865,713.58	638,088,329.55



XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

2. Explanatory notes to items in the Income Statement of the Company (continued)

1. Operating income/Operating expenses (continued)

(4) Operating income from top 5 customers of the Company

Name of customer	Operating income	Share of total operating income (%)
The 133rd Regiment of Eighth Agricultural Division	41,495,629.81	6.66
Fumeng County drip irrigation works in Liaoning water saving drip irrigation project	16,776,460.63	2.69
The 142nd Regiment of Eighth Agricultural Division	17,006,725.00	2.73
The 141st Regiment of Eighth Agricultural Division	16,818,948.32	2.70
The 121st Regiment of Eighth Agricultural Division	16,759,500.00	2.69
Sub-total	108,857,263.76	17.47

2. Investment income

Item	Current period	Last period
Investment income from disposal of financial assets held for trading	0	-472,500.00
Investment income from disposal of long-term equity investment	1,435,902.40	0
Total	1,435,902.40	-472,500.00



Notes to Financial Statements

For the year ended 31 December 2013

XI. EXPLANATORY NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

3. Supplemental information to the Statement of Cash Flows of the Parent Company

Supplemental information	Current period	Last period
1. Net profits reconciled to cash from operating activities:		
Net profits	-1,726,099.57	1,437,598.91
Add: Provision for assets impairment	5,967,523.13	527,011.51
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	10,794,727.23	16,113,424.87
Amortisation of intangible assets	154,592.67	154,594.92
Amortisation of long-term prepaid expenses	158,470.64	129,071.28
Loss on disposal of fixed, intangible and other long-term assets (gain shall be stated as "-")	-128,297.67	0
Loss on retirement of fixed assets (gain shall be stated as "-")	0	0
Loss on changes in fair value (gain shall be stated as "-")	0	0
Finance cost (gain shall be stated as "-")	4,054,888.88	5,614,565.00
Investment losses (gain shall be stated as "-")	-1,435,902.40	472,500.00
Decrease in deferred tax assets (increase shall be stated as "-")	-104,249.88	247,930.70
Increase in deferred tax liabilities (decrease shall be stated as "-")	0	0
Decrease in inventories (increase shall be stated as "-")	57,146,133.14	14,170,601.39
Decrease in operating receivables (increase shall be stated as "-")	15,585,366.40	17,756,732.14
Increase in operating payables (decrease shall be stated as "-")	33,261,712.59	32,497,796.66
Others	0	0
Net cash from operating activities	123,728,865.16	89,121,827.38
2. Major investing and financing activities not involving payment or receipt in cash:	0	0
Debt converted to capital	0	0
Convertible corporate bonds due within 1 year	0	0
Fixed assets under finance leases	0	0
3. Net change in cash and cash equivalents:	0	0
Closing cash balance	63,828,941.36	64,347,372.08
Less: Opening cash balance	64,347,372.08	33,801,828.09
Add: Closing cash equivalents balance	0	0
Less: Opening cash equivalents balance	0	0
Net increase in cash and cash equivalents	-518,430.72	30,545,543.99

Xinjiang Tianye Water Saving Irrigation System Company Limited

12 March 2014

Five Years Financial Summary

For the year ended 31 December 2013



The table below summarises the audited results, assets and liabilities of the Group for the year ended 31 December 2013, 2012, 2011, 2010 and 2009. Such information for 2009–2011 is compiled based on the Hong Kong Financial Reporting Standards, and information for 2012 and 2013 is compiled based on the ASBE.

RESULTS

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	691,547	762,837	690,416	588,491	571,028
Profit for the year and total comprehensive income attributable to owners of the Company	3,609	3,211	18,956	17,151	6,479

ASSETS AND LIABILITIES

	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total Assets	1,033,609	1,101,230	1,103,598	1,022,169	970,782
Total Liabilities	302,961	371,395	388,876	322,187	286,718
Non-controlling Interests	(15,222)	(18,018)	(15,217)	(17,299)	(18,532)
Total equity attributable to owners of the Company	715,426	711,817	699,505	682,683	665,532



Property Interests held by the Group in the PRC

For the year ended 31 December 2013

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 Uyger 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	Long	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
4. Various buildings and structures located on 134 Tuan, Xiayedi Town Shihezi City, Xinjiang Uygur Autonomous Region, the PRC	Long	60%	4,255.3	Commercial