



新疆天業節水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

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

(Stock Code: 840)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2016**

SUMMARY

- Total operating revenue for the six months ended 30th June, 2016 was approximately RMB410,439,000, an increase of approximately 3.2% from approximately RMB397,753,000 for the corresponding period in the previous year.
- Unaudited net profit for the six months ended 30th June, 2016 was approximately RMB5,291,000, while net loss for the corresponding period in the previous year was approximately RMB20,019,000. The net profit attributable to owners of the Company for the six months ended 30th June, 2016 was approximately RMB5,089,000, while the net loss attributable to owners of the Company for the corresponding period in the previous year was approximately RMB19,738,000, representing an increase of approximately RMB24,827,000.
- Basic earnings per share for the six months ended 30th June, 2016 was approximately RMB0.0098 (for the corresponding period in 2015: basic loss per share was approximately RMB0.038).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2016 (for the corresponding period in 2015: nil).

* For identification purpose only

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2016, together with the comparative figures for the corresponding period in 2015. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended	
		30th June, 2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
1. Total operating revenue	3	410,439	397,753
Including: Other operating income		25,985	7,867
Operating income		384,454	389,886
2. Total operating cost		481,165	419,599
Including: Cost of sales		371,303	375,853
Business taxes and surcharges		1,929	867
Distribution costs		22,110	20,536
Administrative expenses		13,288	10,874
Finance costs		(214)	(117)
Assets impairment loss		(252)	11,586
Add: Investment income		3,180	2,217
3. Operating profits (loss)		5,454	(19,629)
Add: Non-operating income		1,376	749
Less: Non-operating expenses		100	237
4. Total profits (losses)	5	6,730	(19,117)
Less: Income tax expenses	6	1,439	902
5. Net profits (loss)		5,291	(20,019)
Attributable to owners of the Company		5,089	(19,738)
Attributable to minority interests		202	(281)
6. Earnings/(loss) per share — basic	7	<u>RMB0.0098</u>	<u>RMB(0.038)</u>
7. Other comprehensive income		—	—
8. Total comprehensive income (loss)		5,291	(20,019)
Total consolidated income (loss) attributable to owners of the Company		5,089	(19,738)
Total consolidated income (loss) attributable to minority interests		<u>202</u>	<u>(281)</u>
9. Dividend	8	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30th June, 2016 <i>RMB'000</i> (unaudited)	As at 31st December, 2015 <i>RMB'000</i> (audited)
Current assets:			
Cash		126,914	119,410
Bill receivables		6,800	1,230
Trade receivables	9	172,945	89,931
Prepayments		19,503	24,692
Other receivables		32,663	25,512
Inventories		440,526	565,702
Other current assets		—	2,296
Total current assets		<u>799,351</u>	<u>828,773</u>
Non-current assets:			
Investment property		10,099	8,136
Property, plant and equipment	10	146,665	155,316
Construction in progress		18,994	21,898
Intangible assets		12,908	13,191
Long-term prepaid expenses		4,768	999
Deferred income tax assets		1,318	1,318
Other non-current assets		2,801	2,801
Total non-current assets		<u>197,553</u>	<u>203,659</u>
Total assets		<u>996,904</u>	<u>1,032,432</u>
Current liabilities:			
Financial liabilities at FVTPL for the current period		—	379
Trade payables	11	144,186	209,250
Receipts in advance		79,143	66,392
Employee remuneration payable		5,689	6,590
Taxes payable		427	2,894
Other payables	12	30,231	14,390
Total current liabilities		<u>259,676</u>	<u>299,895</u>
Non-current liability:			
Other non-current liabilities		9,129	9,729
Total non-current liability		<u>9,129</u>	<u>9,729</u>
Total liabilities		<u>268,805</u>	<u>309,624</u>
Equity of owners:			
Share capital		519,522	519,522
Capital reserve		15,372	15,372
Surplus reserves		34,724	34,724
Retained profits		146,160	141,071
Total equity attributable to owners of the Company		<u>715,778</u>	<u>710,689</u>
Minority interests		12,321	12,119
Total equity of owners		<u>728,099</u>	<u>722,808</u>
Total liabilities and equity of owners		<u>996,904</u>	<u>1,032,432</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2016

	Share capital	Capital reserve	Surplus reserves	Retained earnings	Attributable to owners of the Company	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2015	519,522	15,372	34,724	147,865	717,483	14,319	731,802
Total comprehensive loss for the period	—	—	—	(19,738)	(19,738)	(281)	(20,019)
At 30th June, 2015	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>128,127</u>	<u>697,745</u>	<u>14,038</u>	<u>711,783</u>
At 1st January, 2016	519,522	15,372	34,724	141,071	710,689	12,119	722,808
Total comprehensive income for the period	—	—	—	5,089	5,089	202	5,291
At 30th June, 2016	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>146,160</u>	<u>715,778</u>	<u>12,321</u>	<u>728,099</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2016

	2016 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i> (unaudited)
Net cash from operating activities	14,182	12,717
Net cash used in investing activities	(6,678)	1,660
Net cash used in financing activities	—	—
	<hr/>	<hr/>
Net increase in cash and cash equivalents	7,504	14,377
Cash and cash equivalents at 1st January	119,410	109,888
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	126,914	124,265
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2016

1. GENERAL

The Company was co-founded by the joint investment from Xinjiang Tianye Company Limited and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司). It was registered with the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The registration number of its Business License of Enterprise Legal Person is 650000410002177 and its registered capital is RMB519,521,560.00, comprising of 519,521,560 shares of RMB1 each in aggregate, of which 317,121,560 are domestic shares held by legal persons and 202,400,000 are overseas H shares. The Company transferred its listing 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 on 24th January, 2008, with its Stock Code changed from 8280 to 0840.

The Group is engaged in the design, manufacture, installation and sale of irrigation system and equipment.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were in consistent with those applied to the annual financial statements of the Group for the year ended 31st December, 2015.

3. TOTAL OPERATING REVENUE

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

	For the six months ended	
	30th June,	
	2016	2015
	RMB’000	RMB’000
Drip films and drip assemblies	258,752	248,674
PVC/PE pipelines	112,662	136,861
Provision of installation services	13,039	4,351
Other income	25,985	7,867
	<u>410,439</u>	<u>397,753</u>

Notes:

1. According to the sales mix of the Group, drip assemblies are usually sold as auxiliary products of drip films. Therefore, drip films and drip assemblies are classified under the same category.
2. Revenue of other business was primarily attributable to income derived from external processing of spare and accessory parts by mechanical workshops and gain from fixed assets leasing.

4. BUSINESS AND GEOGRAPHICAL SEGMENT

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

5. TOTAL PROFITS (LOSS)

	For the six months ended 30th June,	
	2016	2015
	RMB'000	RMB'000
Total profits (loss) have been arrived at after charging:		
Depreciation	9,724	9,863
and after crediting:		
Bank interest income	<u>262</u>	<u>204</u>

6. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2016	2015
	RMB'000	RMB'000
Enterprise Income Tax ("EIT")	<u>1,439</u>	<u>902</u>

- (1) The Company was subjected to an EIT tax rate of 15% in 2016 as it complied with the requirements of the tax concession policies of the Western Development.
- (2) Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水有限公司), a subsidiary, was subjected to an EIT tax rate of 15% in 2016 as it complied with the requirements of the tax concession policies of the Western Development.
- (3) Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司), a subsidiary, was subjected to an EIT tax rate of 15% in 2016 as it complied with the requirements of the tax concession policies of the Western Development.
- (4) The production operation of agricultural plastic belts for drip irrigation engaged by Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司), a subsidiary, conforms to order No. 9 of the National Development and Reform Commission and Notice 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 it is subjected to an EIT tax rate of 15% during 1 January 2011 to 31 December 2020.
- (5) Kuitun Tiantun Water Saving Co., Ltd* (奎屯天屯節水有限責任公司), a subsidiary, was subjected to an EIT tax rate of 15% in 2016 as it complied with the requirements of the tax concession policies of the Western Development.
- (6) Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限責任公司), a subsidiary, is a qualified small low-profit enterprise which subjects to an EIT tax rate of 20%.

7. EARNINGS/(LOSS) PER SHARE — BASIC

The calculations of basic earnings/(loss) per share for the six months ended 30th June, 2016 are based on the profit attributable to the owners of the Company of approximately RMB5,089,000 (for the corresponding period in 2015: loss attributable to the owners of the Company was approximately RMB19,738,000) and the weight average number of 519,521,560 (for the corresponding period in 2015: 519,521,560) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the two periods ended 30th June, 2015 and 2016 as there was no dilutive share outstanding during both periods.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2016 (for the corresponding period in 2015: nil).

9. TRADE RECEIVABLES

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

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

	As at 30th June, 2016 RMB'000	As at 31st December, 2015 RMB'000
Aged:		
Within 1 year	171,932	52,535
1–2 years	1,013	16,679
2–3 years	—	8,060
3–4 years	—	3,714
4–5 years	—	5,812
Over 5 years	—	3,131
Total	<u>172,945</u>	<u>89,931</u>

The Directors consider that the carrying amounts of trade receivables approximate their fair values.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,678,000 on the purchase of property, plant and equipment (for the corresponding period in 2015: nil).

11. TRADE PAYABLES

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

	As at 30th June, 2016 RMB'000	As at 31st December, 2015 RMB'000
Aged:		
within 1 year	126,396	177,967
1–2 years	6,482	16,206
2–3 years	4,175	5,567
Over 3 years	7,133	9,510
	<u>144,186</u>	<u>209,250</u>

12. OTHER PAYABLES

	As at 30th June, 2016 <i>RMB'000</i>	As at 31st December, 2015 <i>RMB'000</i>
Items		
Security deposits	120	150
Suspense accounts payable	5,557	5,177
Current account	23,944	9,056
Others	610	7
	<u>30,231</u>	<u>14,390</u>
Total	<u>30,231</u>	<u>14,390</u>

13. CAPITAL COMMITMENTS

	As at 30th June, 2016 <i>RMB'000</i>	As at 31st December, 2015 <i>RMB'000</i>
Capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>7,072</u>	<u>—</u>

14. RELATED PARTY TRANSACTIONS

(a) Transactions

During the period, the Group had the following significant transactions with Xinjiang Tianye Group Limited (“Tianye Holdings”, together with its subsidiaries other than the Group, “Tianye Holdings Group”):

	For the six months ended 30th June, 2016 <i>RMB'000</i>		2015 <i>RMB'000</i>
Nature of transaction/business			
Sales of finished goods	881		461
Purchase of raw materials	50,203		85,448
Rental income from premises	40		40
Rentals of plant and machineries	311		688
	<u>311</u>		<u>688</u>

(b) Compensation to key management personnel

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

	For the six months ended 30th June, 2016 <i>RMB'000</i>		2015 <i>RMB'000</i>
Directors and supervisors	619		598
Other key management personnel	899		830
	<u>1,518</u>		<u>1,428</u>
Total	<u>1,518</u>		<u>1,428</u>

15. MAJOR TRANSACTIONS/BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES IN THE PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“State-controlled Entities” and each a “State-controlled Entity”). In addition, the Group itself is part of a larger group of companies under Tianye Holdings which is controlled by the PRC government.

The Group conducts business with other State-controlled Entities. The Directors consider those State-controlled Entities are independent third parties so far as the Group’s business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other State-controlled Entities, the Group does not differentiate whether or not the counterparty is a State-controlled Entity.

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

(a) Material transactions

Nature of transaction	For the six months ended	
	30th June,	
	2016	2015
	<i>RMB’000</i>	<i>RMB’000</i>
Sales of goods	176,874	187,432
Purchase of raw materials	54,181	102,755
Purchase of property, plant and equipment	—	—

(b) Material balances

	As at	As at
	30th June,	31st December,
	2016	2015
	<i>RMB’000</i>	<i>RMB’000</i>
Bank balances	126,914	119,410
Trade and other receivables	32,663	25,512
Trade and other payables	30,231	14,390

Except as disclosed above, the Directors are of the opinion that transactions with other State-controlled Entities are not significant to the Group’s operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2016, the unaudited total operating revenue of the Group was approximately RMB410,439,000, representing an increase of approximately 3.2% from approximately RMB397,753,000 for the corresponding period in the previous year. The increase in total operating revenue is mainly attributable to increase in demand and sales volume of new products.

Gross Profit

For the six months ended 30th June, 2016, the unaudited gross profit was approximately RMB39,136,000, with gross profit margin of approximately 9.5%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB21,900,000 and approximately 5.5% respectively, representing an increase of 4.0% in gross profit margin. This was mainly due to decrease in cost of sales of products and thus increased gross profit.

Operating Costs and Expenses

Distribution costs for the six months ended 30th June, 2016 and the corresponding period in the previous year was approximately RMB22,110,000 and approximately RMB20,536,000 respectively, representing an increase of approximately RMB1,574,000 or approximately 7.7%. This was mainly due to increase in project installation cost when compared to corresponding period in the previous year.

Administrative expenses for the six months ended 30th June, 2016 and the corresponding period in the previous year was approximately RMB13,288,000 and approximately RMB10,874,000 respectively, representing an increase of approximately RMB2,414,000 or approximately 22.2%. This was mainly due to unallocated manufacturing cost resulted from suspension of production line during the period.

Finance income for the six months ended 30th June, 2016 and the corresponding period in the previous year was approximately RMB214,000 and approximately RMB117,000 respectively, amount mainly represented interest income.

Assets impairment loss

For the six months ended 30th June 2016, the unaudited reversal of assets impairment loss of the Group was approximately RMB252,000, while assets impairment loss was approximately RMB11,586,000 for the corresponding period of 2015. As the PRC economy exhibited a downward trend during corresponding period in the previous year, the sales price of the PE type products of the Group decreased to a market sales price below the product costs, which resulted in a significant increase of provision for diminution in value of inventory.

For the six months ended 30th June, 2016, the Group recorded approximately RMB5,089,000 for the unaudited profit attributable to owners of the Company, representing an increase of approximately RMB24,827,000 from loss attributable to owners of the Company of approximately RMB19,738,000 for the corresponding period in the previous year.

Prospect

The Group believes that the agricultural and water saving irrigation industry will continue to be one of the sectors to which the Chinese government pays attention and the development of which remains one of the government's priorities. As the Chinese government maintains an orderly advancement in the development model of agricultural irrigation and disposal, and for the modern agricultural water saving to be more expansive, intensive, professional and standardized, this will significantly drive up the trend of rapid growth of the water saving industry. The Group will fully leverage on its own technologies and market edges. Together with the enhanced effort on new product research and development and the application of new technologies, the competitiveness of the Group can be further expanded and enhanced through the implementation of the strategic initiatives of differentiation, diversification and advancement.

Liquidity, financial resources and capital structure

During the period, the Group raised funding principally from cash generated from its business operations.

As at 30th June, 2016, the Group had gearing ratio (which is defined as total borrowings over total equity) of zero (as at 31st December, 2015: zero). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and had not experienced any liquidity problem for the six months ended 30th June, 2016.

Contingent Liabilities

As at 30th June, 2016, the Group had no significant contingent liabilities.

Foreign currency exposure

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

Employee and salary policies

The Directors consider the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 30th June, 2016, the Group had 798 full-time employees.

Retirement benefit scheme and other benefits

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Company has no obligation for the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit plans were approximately RMB5,530,928 for the six months ended 30th June, 2016.

The Group provides its staff in Hong Kong with a provident fund scheme in compliance with the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). The Group is responsible for contributing 5% of the salary of the employees (up to a maximum of HK\$1,500 in respect of each employee) on a monthly basis to the fund. The accrued benefits are all vested to the employees. The expenses arising from the provident fund of the Company for the six months ended 30th June, 2016 were HK\$9,000.

Housing pension scheme

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

Future plan for material investment

As at 30th June, 2016, the Group had no material investment plan.

Material acquisitions and disposals

A wholly-owned subsidiary Xinjiang Tianye Nanjing Water Saving Agriculture Co., Ltd.* (新疆天業南疆節水農業有限公司), was founded by the Company on 22nd March, 2016 with a registered capital of RMB20,000,000. Save as disclosed above, for the six months ended 30th June, 2016, the Group had no material acquisitions nor disposals of subsidiaries and associated companies.

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

As at 30th June, 2016, 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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

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

(A) Domestic Shareholders

As at 30th June, 2016, 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)
Xinjiang Tianye Company Limited ("Tianye Company") (Note 3)	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited (Note 4)	Beneficial owner Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.50% 38.91%

Notes:

1. "L" denotes the person's/entity's long 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 domestic shares held by Tianye Company represents approximately 63.75% of the total domestic shares in issue.
4. 202,164,995 domestic shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings, which is interested in approximately 54.22% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic shares held by Tianye Company.

(B) H Shareholders

Name	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 (“Long Thrive”) (Notes 3)	Beneficial owner	14,407,000 (L)	7.12%	2.77%
Tang Hongjian (“Mr. Tang”) (Note 4)	Interest in controlled corporation	14,407,000 (L)	7.12%	2.77%
Liu Zhonghui (“Ms. Liu”) (Note 5)	Interest of spouse	14,407,000 (L)	7.12%	2.77%

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 7.12% of the total H shares in issue of the Company.
4. Long Thrive directly held 14,407,000 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 14,407,000 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 14,407,000 H shares held by Long Thrive.

Save as disclosed above, as at 30th June, 2016, 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.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN COMPETING BUSINESS

For the six months ended 30th June, 2016, the Directors are not aware of any business or interests of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

AUDIT COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence in the shareholders and the public in the Group. Throughout the six months ended 30th June, 2016, the Group has complied with the requirements of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors of the Company. Following specific enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standard under the Model Code for the six months ended 30th June, 2016.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OF REDEMPTION OF SHARES

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities for the six months ended 30th June, 2016.

By order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Chen Lin
Chairman

Xinjiang, the PRC, 18th August, 2016

* *For identification purpose only*