



新疆天业节水灌溉股份有限公司
XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

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

(Stock Code: 840)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

SUMMARY

- Total operating revenue for the six months ended 30th June, 2014 was approximately RMB410,968,000, an increase of approximately 4.6% from RMB392,895,000 for the corresponding period in the previous year.
- Profit for the six months ended 30th June, 2014 was approximately RMB415,000, an increase of approximately 15.6% from the corresponding period in the previous year, the profit attributable to owners of the Company was approximately RMB690,000, an increase of approximately 37.7% from the corresponding period in the previous year.
- Basic earnings per share for the six months ended 30th June, 2014 was approximately RMB0.001 (for the corresponding period in 2013: approximately RMB0.001).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2014 (for the corresponding period in 2013: nil).

* For identification purpose only

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

The board of directors (the “Board”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2014, together with the comparative figures for the corresponding period in 2013. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	For the six months ended	
		2014	2013
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
1. Total operating revenue	3	410,968	392,895
Including: Other operating income		7,759	4,232
Operating income		403,209	388,663
2. Total operating cost		410,091	391,663
Including: Cost of sales		377,999	360,103
Including: Other operating expenses		6,827	2,219
Operating expenses		371,172	357,884
Business taxes and surcharges		1,571	428
Distribution costs		19,925	18,888
Administrative expenses		10,784	9,787
Finance costs		(143)	2,457
Assets impairment loss		(45)	—
3. Operating profits		877	1,232
Add: Non-operating income		256	574
Less: Non-operating expenses		204	248
4. Total profits	5	929	1,558
Less: Income tax expenses	6	514	1,199
5. Net profits		415	359
Attributable to owners of the Company		690	501
Attributable to minority interests		(275)	(142)
6. Earnings per share — basic	7	<u>RMB0.001</u>	<u>RMB0.001</u>
7. Other comprehensive income		—	—
8. Total comprehensive income		415	359
Total consolidated income attributable to owners of the Company		690	501
Total consolidated income attributable to minority interests		(275)	(142)
9. Dividend	8	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2014 <i>RMB'000</i> (unaudited)	As at 31st December, 2013 <i>RMB'000</i> (audited)
Current assets:			
Cash		103,485	99,143
Bill receivables		6,580	4,390
Trade receivables	9	125,125	75,902
Prepayments		20,283	18,665
Other receivables		19,216	29,108
Inventories		583,646	585,410
Other current assets		<u>1,241</u>	<u>1,186</u>
Total current assets		<u>859,576</u>	<u>813,804</u>
Non-current assets:			
Investment property		8,790	8,790
Property, plant and equipment	10	177,740	186,159
Construction in progress		13,870	10,016
Intangible assets		12,401	12,543
Long-term prepaid expenses		1,141	1,309
Deferred income tax assets		1,260	988
Other non-current assets		<u>—</u>	<u>—</u>
Total non-current assets		<u>215,202</u>	<u>219,805</u>
Total assets		<u>1,074,778</u>	<u>1,033,609</u>
Current liabilities:			
Trade payables	11	204,469	191,429
Receipts in advance		95,626	73,668
Employee remuneration payable		5,259	4,906
Taxes payable		728	3,261
Other payables	12	<u>37,633</u>	<u>17,647</u>
Total current liabilities		<u>343,715</u>	<u>290,911</u>
Non-current liabilities:			
Other non-current liabilities		<u>—</u>	<u>12,050</u>
Total non-current liabilities		<u>—</u>	<u>12,050</u>
Total liabilities		<u>343,715</u>	<u>302,961</u>
Equity of owners:			
Share capital		519,522	519,522
Capital reserve		15,372	15,372
Surplus reserves		34,746	34,746
Retained profits		<u>146,476</u>	<u>145,786</u>
Total equity attributable to owners of the Company		<u>716,116</u>	<u>715,426</u>
Minority interests		<u>14,947</u>	<u>15,222</u>
Total equity of owners		<u>731,063</u>	<u>730,648</u>
Total liabilities and equity of owners		<u>1,074,778</u>	<u>1,033,609</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2014

	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, 2013	519,522	15,372	34,746	142,177	711,817	18,018	729,835
Total comprehensive income/(loss) for the period	—	—	—	501	501	(142)	359
At 30th June, 2013	<u>519,522</u>	<u>15,372</u>	<u>34,746</u>	<u>142,678</u>	<u>712,318</u>	<u>17,876</u>	<u>730,194</u>
At 1st January, 2014	519,522	15,372	34,746	145,786	715,426	15,222	730,648
Total comprehensive income/(loss) for the period	—	—	—	690	690	(275)	415
At 30th June, 2014	<u>519,522</u>	<u>15,372</u>	<u>34,746</u>	<u>146,476</u>	<u>716,116</u>	<u>14,947</u>	<u>731,063</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2014

	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
Net cash from operating activities	4,539	91,210
Net cash used in investing activities	(197)	(5,708)
Net cash used in financing activities	—	(52,605)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	4,342	32,897
Cash and cash equivalents at 1st January	99,143	111,742
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	103,485	144,639
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2014

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

The Company’s 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 15 February, 2006. In addition, the Company has also disclosed relevant financial information required by the Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were in consistent with those applied to the annual financial statements of the Group for the year ended 31st December, 2013.

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,	
	2014	2013
	RMB'000	RMB'000
Drip films and drip assemblies	281,325	233,559
PVC/PE pipelines	111,375	130,383
Provision of installation services	10,509	24,721
Other income	7,759	4,232
	<u>410,968</u>	<u>392,895</u>

Notes:

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

4. BUSINESS AND GEOGRAPHICAL SEGMENT

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

5. TOTAL PROFITS

	For the six months ended	
	30th June,	2013
	2014	
	RMB'000	RMB'000
Total profits have been arrived at after charging:		
Finance costs		
Interest on bank loans wholly repayable within five years	—	2,605
Depreciation	9,706	8,543
and after crediting:		
Bank interest income	195	202

6. INCOME TAX EXPENSES

	For the six months ended	
	30th June,	2013
	2014	
	RMB'000	RMB'000
Income tax	514	1,199

- (1) The Company and its subsidiaries Gansu Tianye Water Saving Equipment Company Limited, Akesu Tianye Water Saving Company Limited and Shihezi Tiancheng Water Saving Equipment Company Limited were granted a reduced enterprise income tax ("EIT") tax rate of 15% as they are qualified for tax concessions relating to the Western Development.
- (2) The Company's subsidiary, Hami Tianye Hongxing Water Saving Irrigation Co., Ltd belongs to small profit enterprise which was granted a reduced EIT tax rate of 20%.
- (3) Save as disclosed above, other subsidiaries were subject to an EIT tax rate of 25%.

7. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share for the six months ended 30th June, 2014 are based on the profit attributable to the owners of the Company of approximately RMB690,000 (for the corresponding period in 2013: approximately RMB501,000 and the weight average number of 519,521,560 (for the corresponding period in 2013: 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, 2013 and 2014 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, 2014 (for the corresponding period in 2013: 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, 2014 RMB'000	As at 31st December, 2013 RMB'000
Aged:		
Within 1 year	122,139	68,205
1-2 years	2,986	7,697
Trade receivables	<u>125,125</u>	<u>75,902</u>

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

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB1,287,000 (for the corresponding period in 2013: approximately RMB1,102,000) on the purchase of the property, plant and equipment.

11. TRADE PAYABLES

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

	As at 30th June, 2014 RMB'000	As at 31st December, 2013 RMB'000
Aged:		
within 1 year	197,841	159,270
1-2 years	5,367	30,723
2-3 years	302	283
Over 3 years	959	1,153
	<u>204,469</u>	<u>191,429</u>

12. OTHER PAYABLES

	As at 30th June, 2014 <i>RMB'000</i>	As at 31st December, 2013 <i>RMB'000</i>
Aged:		
Within 1 year	21,363	10,110
1-2 years	9,854	4,702
2-3 years	495	321
Over 3 years	12,191	2,514
	<u>43,903</u>	<u>17,647</u>

13. CAPITAL COMMITMENTS

	As at 30th June, 2014 <i>RMB'000</i>	As at 31st December, 2013 <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>5,525</u>	<u>1,567</u>

14. RELATED PARTY TRANSACTIONS

(a) Transactions

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

	For the six months ended 30th June, 2014 <i>RMB'000</i>		2013 <i>RMB'000</i>
Nature of transaction/business			
Sales of finished goods	1,029		430
Purchase of raw materials	87,606		36,029
Rental income from premises	300		300
Rentals of premises, plant and machineries	728		732
	<u>728</u>		<u>732</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, 2014 <i>RMB'000</i>		2013 <i>RMB'000</i>
Directors and supervisors	609		743
Other key management personnel	787		704
Total	<u>1,396</u>		<u>1,447</u>

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

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

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

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

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

(a) Material transactions

	For the six months ended	
	30th June,	
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
Nature of transaction		
Sales of goods	181,893	228,209
Purchase of raw materials	111,850	94,786
Purchase of property, plant and equipment	1,287	450
Interest expenses	—	2,605
	—————	—————

(b) Material balances

	As at	As at
	30th June,	31st December,
	2014	2013
	<i>RMB’000</i>	<i>RMB’000</i>
Bank balances	103,485	99,143
Trade and other receivables	91,888	54,649
Trade and other payables	15,316	84,476
	—————	—————

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, 2014, the unaudited total operating revenue of the Group was approximately RMB410,968,000, representing an increase of approximately 4.6% from approximately RMB392,895,000 for the corresponding period in the previous year. The increase in total operating revenue is mainly attributable to increase in sales volume of products.

Gross Profit

For the six months ended 30th June, 2014, the unaudited gross profit was approximately RMB32,969,000, with gross profit margin of approximately 8.0%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB32,792,000 and approximately 8.3% respectively, representing a decrease of 0.3% in gross profit margin. This was mainly due to decrease in selling prices of products and thus reduced gross profit.

Operating Costs and Expenses

Distribution costs for the six months ended 30th June, 2014 and the corresponding period in the previous year was approximately RMB19,925,000 and approximately RMB18,888,000 respectively, representing an increase of approximately RMB1,037,000 or approximately 5.5%. Certain expenses including staff welfare expenses increased when compared to corresponding period in the previous year.

Administrative expenses for the six months ended 30th June, 2014 and the corresponding period in the previous year was approximately RMB10,784,000 and approximately RMB9,787,000 respectively, representing an increase of approximately RMB997,000 or approximately 10.2%, which was mainly due to increase in staff salary as compared to the corresponding period in the previous year.

Finance costs for the six months ended 30th June, 2014 and the corresponding period in the previous year was RMB zero and approximately RMB2,457,000 respectively, a decrease of approximately 100%, which was mainly resulted from the decrease of average loan amount as compared to the corresponding period in the previous year.

For the six months ended 30th June, 2014, the Group recorded approximately RMB690,000 for the unaudited profit attributable to owners of the Company, representing an increase of approximately RMB189,000 or approximately 37.7% from approximately RMB501,000 for the corresponding period in the previous year. This was mainly attributable to the increase in other operating income.

Prospect

Although the Chinese government is expected to continue enlarging its investment in the industry in the long run, the agricultural water conservation industry has seen temporary or segmental overproduction, particularly in Xinjiang, China, which is the principal market of the Group. Furthermore, the profit margin of the Group's products has been squeezed by growing competition within the industry as well as a rise in labour costs. Notwithstanding these trends, the directors of the Group believe that the Group will gradually reverse the decline in the profit margin of its products by persistently optimising its cost control measures while expanding into new markets in China.

Liquidity, financial resources and capital structure

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

As at 30th June, 2014, the Group had gearing ratio (which is defined as total borrowings over total equity) of approximately zero (as at 31st December, 2013: approximately zero). 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 six months ended 30th June, 2014.

Contingent Liabilities

As at 30th June, 2014, the Group had no significant contingent liabilities.

Foreign currency exposure

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

Employee and salary policies

The Directors consider the quality of employees as the most critical factor in maintaining the Group’s business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 30th June, 2014, the Group had 893 full-time employees.

Retirement benefit scheme and other benefits

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Company has no obligation for the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit plans were approximately RMB6,780,000 for the six months ended 30th June, 2014.

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, 2014 were HK\$7,750.

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, 2014, the Group had no material investment plan.

Material acquisitions and disposals

For the six months ended 30th June, 2014, 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, 2014, 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.

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, 2014, 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 <i>(Note 1)</i>	Approximate percentage of the total issued domestic Shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Xinjiang Tianye Company Limited ("Tianye Company") <i>(Note 3)</i>	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited ("Tianye Holdings") <i>(Note 4)</i>	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 43.27% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic Shares held by Tianye Company.

(B) H Shareholders

Name of shareholders	Capacity	Number of H Shares of the Company held (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 30th June, 2014, 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, 2014, the Directors are not aware of any business or interests of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

AUDIT COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence of shareholders and the public in the Group. Throughout the six months ended 30th June, 2014, 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, 2014.

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, 2014.

CHANGE IN INFORMATION OF SUPERVISORS

Pursuant to Rule 13.51(B) of the Listing Rules, the change in information of the Supervisors since the date of the annual report of the Company for the year ended 31st December, 2013 is set out below:

Name of Supervisor	Details of Change
Mr. Zhou Qian	Resigned as Supervisor with effect from 23rd May, 2014
Mr. Yang Ming	Appointed as Supervisor with effect from 23rd May, 2014

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

Xinjiang, the PRC, 30th July, 2014

* *For identification purpose only*