



新疆天業節水灌溉股份有限公司

XINJIANG TIANYE WATER SAVING IRRIGATION
SYSTEM COMPANY LIMITED*

Stock Code: 840

Annual
Report 2015

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Corporate Information

DIRECTORS

Executive Directors

Mr. Chen Lin (*Chairman*)
Mr. Zhu Jia Ji
Mr. Shao Mao Xu
Mr. Zhang Qiang

Independent non-executive Directors

Mr. Yin Feihu
Mr. Qin Ming
Mr. Cao Jian
Mr. Mak King Sau

SUPERVISORS

Mr. Han Pan
Mr. He Jie
Mr. Yang Ming

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

COMPLIANCE COMMITTEE

Mr. Chen Lin (*Chairman*)
Mr. Qin Ming
Mr. Cao Jian
Mr. Yin Feihu

REMUNERATION COMMITTEE

Mr. Yin Feihu (*Chairman*)
Mr. Qin Ming
Mr. Cao Jian
Mr. Zhang Qiang

NOMINATION COMMITTEE

Mr. Yin Feihu (*Chairman*)
Mr. Qin Ming
Mr. Cao Jian
Mr. Zhang Qiang
Mr. Chen Lin

AUDITOR

Pan China Certified Public Accountants LLP
4/F-10/F, Xihu 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
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 A, 27/F
Billion Plaza II
10 Cheung Yue Street
Cheung Sha Wan
Kowloon
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 (the “**Board**”) of Directors (the “**Director(s)**”), I hereby announce the report of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) together with its subsidiaries (the “**Group**”) for the year ended 31st December, 2015.*

BUSINESS REVIEW

- Operating income for the year ended 31st December, 2015 was approximately RMB667,448,000, a decrease of approximately 4.76% from year 2014;
- Net loss attributable to owners of the Company for the year ended 31st December, 2015 was approximately RMB6,794,000 (2014: net profit attributable to owners of the Company was approximately RMB2,080,000).
- Basic and diluted loss per share for the year was approximately RMB0.013 (2014: basic and diluted earnings per share of approximately RMB0.004).

PROSPECTS

During the reporting period, as the severity of environmental condition heightens, water resources become the significant problems nowadays. The Chinese government will continuously increase the positive effort for agricultural water management and efficient water saving irrigation. However, as impacted by the slowdown of the Chinese economy, as well as the intensified industry competition, the revenue of the Group decreased slightly.

The Directors of the Group are of the opinion that there is substantial development prospect and room for increase for the agricultural water management and efficient water saving irrigation industry. In light of this, the Group will proactively adopt the development strategy of establishing the PRC market and proactively exploring the international markets. In addition, effort for scientific research and development will be increased and the product updating and progressing into next generation will be accelerated. Leveraging differentiation and advanced development of technologies and products, will greatly enhance the Group's competitiveness in the domestic and overseas markets and to obtain good earnings.

Chairman's Statement

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,

A handwritten signature in black ink, appearing to be the name 'Chen Lin' in Chinese characters, written in a cursive style.

Chen Lin

Chairman of the Board

Xinjiang, the PRC
29th March, 2016

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 tapes, 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 tapes sold by the Group can be categorised into three types, including (i) single-sided labyrinth-style drip tapes; (ii) embedded-style drip tapes; and (iii) heavy flow compensatory style drip tapes.

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 base by expanding its sales and distribution network.

Management Discussion and Analysis

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2015, operating income of the Group was approximately RMB667,448,000, representing a decrease of approximately 4.76% from approximately RMB700,812,000 for the year ended 31st December, 2014.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2015 and 31st December, 2014 by products:

Category	For the year ended 31st December, 2015		For the year ended 31st December, 2014		Year-on-year percentage change %
	Operating income RMB'000	% to total Operating income %	Operating income RMB'000	% to total Operating income %	
Drip tape and drip assemblies	292,960	43.89	379,223	54.11	(22.75)
PVC/PE pipelines	330,635	49.54	302,211	43.12	9.41
Provision of installation services	28,238	4.23	13,940	1.99	102.57
Other operating income	15,615	2.34	5,438	0.78	187.15
Total	667,448	100.00	700,812	100.00	

The change in operating income for the year ended 31st December, 2015 was mainly attributable to intensified market competition. For the year ended 31st December, 2015, sales of drip tape and drip assemblies decreased by approximately 22.75% to approximately RMB292,960,000, while sales of PVC/PE pipelines increased by approximately 9.41% to approximately RMB330,635,000. At the same time, the sales volume of drip tape and drip assemblies decreased from approximately 28,423 tonnes for the year ended 31st December, 2014 to approximately 22,418 tonnes for the year ended 31st December, 2015, while the sales volume of PVC/PE pipelines increased from approximately 46,870 tonnes for the year ended 31st December, 2014 to approximately 54,515 tonnes for the year ended 31st December, 2015. The increase in sales volume of PVC/PE pipelines of the Group was mainly attributable to the increased brand awareness and market share. The decrease in sales volume and selling prices of drip tape and drip assemblies was due to the impact of international crude oil prices.

Cost of sales

For the year ended 31st December, 2015, cost of sales of the Group was approximately RMB608,639,000, representing a decrease of approximately 3.63% from approximately RMB631,579,000 for the year ended 31st December, 2014. Costs of sales for the year ended 31st December, 2015 comprised direct materials

Management Discussion and Analysis

costs of approximately RMB523,622,000, direct labour costs of approximately RMB44,267,000 and production overhead of approximately RMB40,750,000, which accounted for approximately 86.03%, 7.27% and 6.70%, respectively, of the total costs of sales for year 2015. Costs of sales for the year ended 31st December, 2014 comprised direct materials costs of approximately RMB540,264,000, direct labour costs of approximately RMB50,164,000 and production overhead of approximately RMB41,151,000, which accounted for approximately 85.54%, 7.94% and 6.52%, respectively, of the total costs of sales for year 2014.

Non-operating income

For the year ended 31st December, 2015, non-operating income was approximately RMB6,199,000 and consisted primarily of amounts not payable written off and government grants; comparing to the amount of approximately RMB2,361,000 for the year ended 31st December, 2014, which mainly represented trade payables written off and government grants.

Distribution costs

Distribution costs were approximately RMB41,672,000 for the year ended 31st December, 2015, representing an increase of approximately 9.12% from the previous year. The amount accounted for approximately 6.24% of the total operating income for the year ended 31st December, 2015, which was slightly higher than its share of total operating income of approximately 5.45% in the previous year. Distribution costs mainly comprised transportation costs, salaries expenses and sale service fee, etc. For the year ended 31st December, 2015, sale service fees and transportation costs increased by approximately 290.31% and 27.39% to approximately RMB3,786,000 and RMB11,684,000, respectively.

Administrative expenses

Administrative expenses increased by approximately 11.18% to approximately RMB25,292,000 for the year ended 31st December, 2015. The amount accounted for approximately 3.79% of total operating income for the year ended 31st December, 2015, which was slightly higher than its share of total operating income of approximately 3.25% in the previous year.

Finance costs

Finance income for the year ended 31st December 2015 was approximately RMB255,000 while finance income for the year ended 31st December, 2014 was approximately RMB271,000, consisted mainly of interest income.

Management Discussion and Analysis

Operating profits

As a result of the factors discussed above, the Group's operating loss for the year ended 31st December, 2015 was approximately RMB11,970,000, representing a decrease of approximately RMB13,881,000 from operating profit of approximately RMB1,911,000 for the corresponding period in the previous year. The Group's operating profit ratio and operating loss ratio (expressed as a percentage of operating profit/loss over the Group's operating income) was approximately 0.27% and 1.79% for the years ended 31st December, 2014 and 2015, respectively.

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 decreased by approximately RMB8,874,000, from net profit of approximately RMB2,080,000 for the year ended 31st December, 2014 to net loss of approximately RMB6,794,000 for the year ended 31st December, 2015. For the two years ended 31st December, 2014 and 2015, the Group's net profit margins were approximately 0.30% and -1.02%, respectively.

Key Risk Factors

The following section lists out the key risks and uncertainties that the Group is facing. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Collection of trade receivables

The Group will grant credit terms to certain creditworthy customers. However, there is no assurance that the Group's trade receivables will be fully repaid on a timely basis. If all or some of the Group's customers with accounts receivables fail to pay all or part of, or delay the payment due to the Group for whatever reasons, additional provisions will have to be made by the Group which may adversely affect its profitability.

Changes in preferential tax treatment

Further details regarding the taxation of the Group are set out in part IV to the consolidated financial statements in this annual report. The Company and its subsidiaries enjoy certain tax relief in enterprise income tax and value-added tax. However, there is no assurance that the Group can enjoy the same preferential tax treatment in the future. In the event that the PRC Government changes its tax policy of supporting encouraged enterprises or the Company ceases to be recognised as an encouraged enterprise, the Group may have to be subject to income tax at a rate of 25%, and value-added tax at a rate of 17% for drip tapes which may adversely affect the Group's operating results.

Management Discussion and Analysis

Reliance on the PRC market and the Xinjiang market

During the year, all of the Group's turnover was generated within the PRC. While the Group intends to develop overseas markets in the near future, the Directors expect that the PRC market will remain as the core market for which the Group's operating results are generated.

Accordingly, the Group's performance could be adversely affected as a result of any material adverse change in the economic, political, legal and social conditions in the PRC and in particular, Xinjiang. The Group's strategy is based on the assumption that demand in the PRC and in particular, Xinjiang for water saving irrigation products will continue to grow. Any economic changes in the PRC, and in particular, Xinjiang which is different from such assumption could seriously and adversely affect the Group's business and profitability.

Product liability

Any defects in the Group's water saving irrigation products could result in economic loss, adverse customer reaction against the Group, negative publicity, additional expenditure to rectify the problems and/or legal proceedings against the Group. Any litigation relating to such liability may be expensive and time-consuming, and successful claims against the Group could result in substantial monetary liability or damage to the reputation of the Group and disruption to the business operations of the Group. As at the Latest Practicable Date, the Group did not maintain any product liability insurance to cover any claims in respect of personal injury or deterioration of products sold by the Group. During the year, the Group had not experienced any claim for product liability by its customers. There is no assurance that the Group will be free from any claim in this regard, and if any claim is instituted against the Group, the Group's business, results of operation and financial position may be adversely affected.

Non-compliance with environmental protection regulations

As the Group's production processes generate noise, waste water, gaseous wastes and other industrial wastes, the Group is required to comply with all national and local regulations regarding protection of the environment. Based on confirmation letters issued by Shihezi City Environmental Protection Bureau and other Environmental Protection Bureaus, the Group is in compliance with present environmental protection requirements. However, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. The Directors believe that the Group has all necessary permits to conduct its business as it is presently conducted. If the Group fails to comply with present or future environmental regulations, however, the Group may be required to pay substantial fines, suspend production or cease operations.

Management Discussion and Analysis

Competition

The Directors are of the view that competition in water saving irrigation industry is keen and any improvement of the quality of water saving irrigation products manufactured by the existing manufacturers and any increase in the number of competitors in the market may have material adverse impact on the Group's profitability. The competitors may succeed in providing services, and developing technologies and know-how that are more effective or cost efficient than those provided by the Group. Any increase in competition could result in the reduction of the Group's market share and have an adverse impact on the Group's business. There can be no assurance that the Group's business performance will be maintained in light of the possible increase in competition with the competitors.

Seasonal factor

Sales of the Group's products are affected by the production cycle of agricultural products, which refers to sowing in Spring and harvesting in Autumn. In turn, sales of the Group's products are subject to seasonal fluctuations. Should there be any material reduction in the seasonal sales of the Group's products, the Group's profitability may be adversely affected.

Fluctuations in the price of raw materials

The major raw materials purchased by the Group are PVC and PE resins, which are used for the production of PVC/PE pipelines. As PVC and PE resins are manufactured from crude oil, the increase in oil price would have a direct impact on the selling price of PVC and PE resins. In order to manage the impact of fluctuation in the price of raw materials, the Group may adjust the production formula and use substitution should the prices of any particular raw material rise substantially. Yet, the Group's result would be adversely affected if it is unable to obtain stable and continuous supply of raw materials in a timely manner or if there are significant increases in the price of the major raw materials in the future and the Group is not able to pass such increases to its customers.

Risks associated with the historical background of Xinjiang

Xinjiang is located in the northwestern border of the PRC and it borders eight countries, namely Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Pakistan, Mongolia, India and Afghanistan. Historically, it was a passageway of the ancient Silk Road and has now become the thoroughfare of the second "Asia-Europe Bridge". Therefore, Xinjiang is situated in a strategically important location.

Sporadic violence and terrorist attacks have taken place in Xinjiang which are alleged to be caused by the separatists. However, there is no assurance that terrorism activities in Xinjiang would not resurface under certain circumstances. If terrorist activities in Xinjiang turn rampant and cause social upheavals with destruction to agricultural production, the Group's operations may be interrupted by any such violence or terrorist attacks, resulting in lower revenues and unbudgeted costs for remedying any damage.

Management Discussion and Analysis

FUTURE PROSPECTS

During the reporting period, as the severity of environmental condition heightens, water resources become the significant problems nowadays. The Chinese government will continuously increase the positive effort for agricultural water management and efficient water saving irrigation. However, as impacted by the slowdown of the Chinese economy, as well as the intensified industry competition, the revenue of the Group decreased slightly.

The Directors of the Group are of the opinion that there is substantial development prospect and room for increase for the agricultural water management and efficient water saving irrigation industry. In light of this, the Group will proactively adopt the development strategy of establishing PRC market and proactively exploring the international markets. In addition, effort for scientific research and development will be increased and the product updating and progressing into next generation will be accelerated. Leveraging differentiation and advanced development of technologies and products, will greatly enhance the Group's competitiveness in the domestic and overseas markets and to obtain good earnings.

INDEBTEDNESS

Borrowings

As at 31st December, 2015, the Group had no outstanding bank loans (2014: Nil).

Commitments

As at 31st December, 2015, the Group had contracted but not provided for capital commitments of RMB565,000 (2014: RMB1,610,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2015 were approximately 2.76 and 0.88, respectively, representing a slight decrease of 0.01 in current ratio and a slight increase of 0.01 in quick ratio when compared to those as at 31st December, 2014.

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.

Management Discussion and Analysis

Capital expenditures

For the year ended 31st December, 2015, 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 RMB16,241,000 (2014: approximately RMB3,609,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2015, the gearing ratio (which is defined as total borrowings over total equity) of the Group was zero (2014: zero). This is primarily due to the fact that the Group did not have any bank loan 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, 2015.

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 that 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, 2015, the Group had no contingent liabilities (2014: 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 was 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 2014 and 2015.

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, 2015, the Group had 806 employees (2014: 864).

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 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 RMB12,854,000 for the year ended 31st December, 2015.

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\$1,500 per month 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

For the year ended 31st December, 2015, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

MATERIAL INVESTMENTS

For the year ended 31st December, 2015, the Group had no material investments.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from Saturday, 21st May, 2016 to Friday, 10th June, 2016 (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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4 p.m. on Friday, 20th May, 2016.

Environmental and Social Responsibility

The Group, being one of the market leaders in China's water-saving agricultural irrigation industry, carries out its operations under the brand of "Tianye". The Group has established quality, environmental and occupational health and safety management systems according to the GB/T 19001-2008/ISO 9001:2008 standard, GB/T 24001-2004/ISO 14001:2004 standard and GB/T 28001-2011/OHSAS 18001:2007 standard and obtained the certification of quality management system, certification of environmental management system and certification of occupational health and safety management system approved and issued by China Classification Society Quality Assurance Ltd. Quality, environmental and occupational health and safety management systems set up by the Group cover various aspects, including but not limited to workplace practice, environmental protection and business operations. Systems that are crucial and closely related to our business are set out below:

1. WORKPLACE PRACTICE

1.1 Health and Safety

The Group has adhered to the principle of "regulations compliance, cleanliness and civilization, harmony and safety, continuous improvement" and established a department specifically responsible for employees' health and safety in the Group. The Group has formulated and maintained "Procedures for Hazard Identification, Risk Assessment and Control and Procedures for Identification, Assessment and Control of Environmental Factors" to identify and assess the environment and hazards during the Group's production process as well as to determine and update environmental factors and impermissible risks. This allows the Group to effectively control the risk factors in relation to occupational health and safety that have or may have significant impacts on the environment in the course of management and production.

1.2 Emission

The Group has established "Waste (solid/liquid/gas) Management and Control Procedures" to specifically set out the emission procedures of waste, waste gases and waste water under the applicable national requirements.

The Group has a specific department to supervise pollutions discharged on a daily basis and allows regular inspections from environment monitoring authorities with measurement accreditations. In the year 2015, the Group had zero incident of environmental pollution, disposition rate of 84% for solid waste classification (industrial production, building and construction, domestic activities and office activities), 100% of waste gases emission and 99% of recycling and re-using of production water.

Environmental and Social Responsibility

1.3 Usage of Resources

The Group has formulated “Energy Conservation and Consumption Reduction Procedures” to control energies and resources used in the activities of production, operation and management and improve the utilization rates as well as economic benefits of energies and resources to prevent pollution. This policy is applicable to the Group’s control on the usage of water, electricity, oil and energy.

2. ENVIRONMENT AND NATURAL RESOURCES

To carry out a comprehensive identification and assessment of the Group’s productions and services for the purpose of controlling or affecting environmental factors, identifying such key environmental factors and updating environmental factors in time according to relevant laws and regulations and changes of other requirements, in order to take practical and effective precautions and control measures to constantly improve the Group’s environmental performance, the Group has specifically formulated the “Procedures of Identification, Assessment and Control of Environmental Factors”.

According to the above measures, the Group can effectively manage major impacts of business operations on environment and natural resources.

3. OPERATION PRACTICE

3.1 Management of supply chain

Pursuant to the “Procurement Control Procedures” formulated by the Group, the procurement department shall deliver the Group’s policies, the Group’s requirements on environmental and occupational health and safety and such procedures to contracting parties to ensure their timely understanding of the Group’s requirements on environmental and occupational health and safety.

3.2 Quality assurance

The Group has always conducted internal production monitoring, quality assurance inspection and strict testing on its products. The Group’s major products, such as drip tape, PVC/PE pipelines, filters and pipe fittings, have got quality assurances from Beijing Zhongshui Runke Certification Co., Ltd and obtained certified confirmation certifications for relevant products.

Details of recall procedures are set out in the Group’s “Control Procedures of Unqualified Products”. Generally, upon the delivery of products, when quality anomaly is discovered in respect of such batch of products, the quality management department will inform the sales department in time. The sales department, in turn, will report to the clients within 24 hours and discuss with the clients how to deal with such products, including whether an arrangement for recall is needed.

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, 2015.

CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to improvement in its accountability and transparency and thus further instill confidence of its shareholders and the public. Throughout the financial year ended 31st December, 2015, 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

As at 31st December, 2015, the Board comprises eight directors (the “**Director(s)**”), including four executive Directors and four independent non-executive Directors. 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 29 to 32 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 provided 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.

Corporate Governance Report

Delegation by the Board

The Board is responsible for decision making 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.

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 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.

Corporate Governance Functions

The Board has established four committees, namely the Remuneration Committee, Audited Committee, Nomination Committee and the Compliance Committee to oversee various aspects of the Company's affairs. The four committees are provided with sufficient resources to discharge the duties.

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and (v) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report. For the year ended 31st December, 2015, the Board has reviewed the Company's corporate governance practices and was of the view that such practices were effective.

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 while extraordinary meetings may be held as required. The full Board held seven physical meetings for the financial year ended 31st December, 2015. 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

Corporate Governance Report

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 are the attendance records of the Board Meetings by each Director:

Attendants	Number of Board Meetings Attended/Total	Percentage
Executive Directors		
Chen Lin (<i>chairman of the Board, hereinafter referred to as the "Chairman"</i>)	7/7	100%
Zhang Qiang	7/7	100%
Zhu Jia Ji	7/7	100%
Shao Mao Xu	7/7	100%
Independent Non-executive Directors		
Qin Ming	7/7	100%
Cao Jian	7/7	100%
Yin Feihu	7/7	100%
Mak King Sau	7/7	100%

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 recorded respectively at a 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 the 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 further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing Directors with board documentation 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.

Corporate Governance Report

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 in a physical 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.

All the four Committees 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. Chen Lin 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.

Terms of Appointment and Re-election

All independent non-executive Directors are appointed for a specific term of three years. The Directors are 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 general meeting of the Company once every three years.

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. During the year ended 31st December 2015, the Group continuously updated the 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.

Corporate Governance Report

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 2015 is recorded in the table below.

	Reading materials/in house briefing	Attending seminars/ conferences/forums
Executive Directors		
Zhang Qiang	✓	✓
Zhu Jia Ji	✓	✓
Shao Mao Xu	✓	✓
Chen Lin	✓	✓
Independent Non-executive Directors		
Qin Ming	✓	✓
Cao Jian	✓	✓
Yin Feihu	✓	✓
Mak King Sau	✓	✓

COMPANY SECRETARY

Under Rule 3.29 of the Listing Rules, Ms. Chow Yuk Lan has confirmed she has received not less than 15 hours of relevant professional training for the year ended 31 December 2015.

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, 2015.

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, 2015, the Remuneration Committee held one meeting. The individual attendance records of each member are as follows:

Attendants	Number of Meetings		Percentage
	Attended/Total		
Yin Feihu (<i>Chairman</i>)	1/1	100%	
Zhang Qian	1/1	100%	
Qin Ming	1/1	100%	
Cao Jian	1/1	100%	

For the year ended 31st December, 2015, 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 Chairman of the Nomination Committee is Mr. Yin Feihu, an independent non-executive Director, and other members include Mr. Chen Lin and Mr. Zhang Qiang, both being the executive Directors, Mr. Qin Ming and Mr. Cao Jian, both being the independent non-executive Directors.

Corporate Governance Report

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, which was adopted by the Board in September 2013, 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, 2015, the Nomination 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>)	1/1	100%
Chen Lin	1/1	100%
Zhang Qiang	1/1	100%
Qin Ming	1/1	100%
Cao Jian	1/1	100%

During the year ended 31st December 2015, 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.

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 that give a true and fair view of the financial position of the Group on a going concern basis, and other inside information 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.

Corporate Governance Report

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, 2015, the Audit Committee held five meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings Attended/Total	Percentage
Qin Ming (<i>Chairman</i>)	5/5	100%
Cao Jian	5/5	100%
Yin Feihu	5/5	100%

During the year ended 31st December, 2015, 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; reviewed the audit fees payable to the external auditors for the year with a recommendation to the Board for approval; and reviewed the external auditors' independence, with a recommendation to the Board for the re-appointment of the current external auditors at the forthcoming annual general meeting (the "AGM") and the Board endorsed the Audit Committee's recommendation on the re-appointment of Pan China Certified Public Accountants LLP ("Pan China") as the external auditors.

The work scope and responsibilities of Pan China are stated in the section entitled "Auditor's Report" in the annual report.

AUDITORS' REMUNERATION

For the year ended 31st December, 2015, the external auditor of the Company, Pan China, was not engaged in any non-audit services and its fee in respect of the audit services provided are set out below:

Services rendered	2015 RMB'000	2014 RMB'000
Audit services	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.

Corporate Governance Report

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, 2015, the Compliance Committee held one meeting. The individual attendance records of each member are as follows:

Attendants	Number of Meetings Attended/Total	Percentage
Chen Lin (<i>Chairman</i>)	1/1	100%
Qin Ming	1/1	100%
Cao Jian	1/1	100%
Yin Feihu	1/1	100%

For the year ended 31st December, 2015, 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, 2015, 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 45 to 46.

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 AGM of the Company provides an excellent opportunity for the Board to meet and communicate with the shareholders. All Directors make an effort to attend the AGM so that they may answer any questions from the shareholders of the Company.

The Chairman is 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.

Corporate Governance Report

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

For the year ended 31st December, 2015, 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. Chen Lin, aged 40, is an executive Director and Chairman of the Board. 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 Holdings. Since he joined the Group in August 2010, he has been an executive Director and was appointed as Chairman of the Board on 7 August 2014.

Mr. Zhang Qiang, aged 42, 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 52, 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 during 2007 to 2014.

Mr. Shao Mao Xu, aged 57, 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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Ming, aged 45, 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. and Xinjiang Tianshan Wool Tex Stock Co., Ltd.. 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 65, 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 62, 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 41, 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.

Directors, Supervisors and Senior Management

SUPERVISORS

Mr. Han Pan, aged 32, 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 70, 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. Yang Ming, aged 47, is a supervisor of the Company. Mr. Yang graduated from The Open University of China in 2011 with a major in computer science and technology. He obtained a professional qualification of senior engineer in 2012. He joined Tianye Holdings in 1998 and served as deputy officer of technology center. He has over 20 years of experience in protection technology and research and development of information Technology. Mr. Yang was appointed as a supervisor of the Company in May 2014.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Chow Yuk Lan, aged 41, 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.

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.

Directors, Supervisors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Jun, aged 52, 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. Xiong Xin Yi, aged 45, 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 39, 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 42, 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.

CHANGE IN INFORMATION OF DIRECTORS

For the year ended 31st December, 2015, there were no changes in information of directors of the Company.

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, 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is engaged in the design, manufacturing and sales of drip tapes, 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 section 1 of part VII to the consolidated financial statements.

Further discussion and analysis on the relevant businesses stipulated in Schedule 5 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including the discussion on principal risks and uncertainties faced by the Group, future business growth direction and the Group’s environmental policies and performance are set out in the sections headed “Management Discussion and Analysis” and “Environmental and Social Responsibility”, which forms part of this Report of the Directors, on pages 6 to 15 and 16 to 17 respectively of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2015 are set out in the consolidated income statement on page 55 to 56 of this annual report.

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2015 (2014: Nil).

FIVE-YEAR FINANCIAL STATEMENT

A summary of the published results of the Group for the last five financial year as set out on page 191 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB3,333,000 on acquiring new plants and machines, and approximately RMB16,591,000 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 10 to note 11 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 23 of section 1 of part V to the consolidated financial statements.

Report of the Directors

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, 2015, the Company's reserves available for distribution to shareholders represent its retained profits of approximately RMB105,950,000 (2014: retained profits of approximately RMB116,979,000).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2015, sales to the largest customer and the five largest customers of the Group accounted for approximately 5% and 15% (2014: 5% and 16%) of the total turnover of the Group, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 47% and 64% (2014: 33% and 44%) 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. Chen Lin (*chairman of the Board, hereinafter referred to as the "**Chairman**"*)
Mr. Zhang Qiang
Mr. Zhu Jia Ji
Mr. Shao Mao Xu

Independent non-executive Directors:

Mr. Qin Ming
Mr. Cao Jian
Mr. Yin Feihu
Mr. Mak King Sau

Supervisors:

Mr. Han Pan
Mr. He Jie
Mr. Yang Ming

Report of the Directors

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.

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

As at 31st December, 2015, none of the Directors, 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.

Report of the Directors

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 TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS", no transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director and Supervisor 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, 2015, 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.

(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	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 31st December, 2015, 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.

Report of the Directors

CONNECTED AND RELATED PARTY TRANSACTIONS

Pursuant to Rule 14A.56 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.

The auditors have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions: (1) have not been approved by the Board; (2) were not, in all material respects, in accordance with the pricing policies of the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (4) have exceeded the annual caps.

Details of the connected transactions/continuing connected transactions during the year are included in part X – “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 23rd March, 2015, 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 5th June, 2015 to 31st December, 2017, 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 23rd March, 2015, 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 tape, PVC/PE pipelines and drip assemblies, from time to time for a term from 23rd March, 2015 to 31st December, 2017, 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 23rd May, 2014 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,

Report of the Directors

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, 2014 to 30th June, 2017 at the rent of RMB1,455,820 per annum (including property management fee);

- lease dated 23rd May, 2014 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, 2014 to 30th June, 2017 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 31st December, 2017 were approved by an ordinary resolution of the annual general meeting of the Company held on 5th June, 2015. The details of these transactions were disclosed in the announcement of the Company dated 23rd March, 2015, and the circular of the Company dated 28th April, 2015.

In respect of each of the related party transactions as listed in part X — “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, 2015, 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.

DIRECTORS’ AND SENIOR MANAGEMENT’S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

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.

Report of the Directors

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 4 to note 5 of section II of part X to the consolidated financial statements in this annual report.

For each of the year 2014 and 2015, senior management of the Company comprises 5 individuals. The emolument of each of the senior management fell within RMB1,000,000.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 18 to 28 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, 2015.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

PERMITTED INDEMNITY PROVISION

During the year ended 31st December, 2015, subject to applicable laws, the Company has taken out and maintained appropriate directors, supervisors and senior management liability insurance coverage against the liabilities that may be incurred by the Directors, Supervisors and senior management of the Company upon executing and performing their duties.

CHARGE OF ASSETS

As at 31st December, 2015, the Group did not have any assets under charged or guarantee.

CHARITABLE DONATIONS

During the year ended 31st December, 2015, the total charitable donations and other donations of the Group amounted to approximately RMB5,000 (2014 : nil).

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31st December, 2015, to the knowledge of the Company, the Group had complied with the relevant laws and regulations that have a material impact on the business of the Group in all material aspects and there were no circumstances of material breach or non-compliance of applicable laws and regulations.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2015.

POST BALANCE SHEET EVENT

According to the resolution by the fifteenth meeting of the fourth session of the Board on 23rd October, 2015, the Company proposed to establish a wholly owned subsidiary Xinjiang Tianye Nanjing Water Saving Agriculture Co., Ltd. The subsidiary was founded on 22nd March, 2016 with a registered capital of RMB20,000,000.

Other than as disclosed above, the Group had no significant event occurring after the balance sheet date and up to the date of this annual result announcement.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual result for the year ended 31st December, 2015, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the audited financial statements for the year ended 31st December, 2015 with the management.

AUDITOR

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

At the annual general meeting held on 23rd May, 2014, the Shareholders approved the re-appointment of Pan China as the auditor of the Company for the year of 2014, and the Board was authorised to fix their remunerations.

At the annual general meeting of the Company held on 5th June, 2015, the Shareholders approved the re-appointment of Pan China as the auditor of the Company for the year of 2015, and the Board was authorised to fix their remunerations.

Report of the Directors

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

A handwritten signature in black ink, appearing to be the name '陈林' (Chen Lin) in Chinese characters, written in a cursive style.

Mr. Chen Lin

Chairman

Xinjiang, PRC
29th March, 2016

Report of the Supervisory Committee

To: All Shareholders

During the year ended 31st December, 2015 (“**Year 2015**”), the Supervisory Committee (the “**Supervisory Committee**” or the “**Supervisors**”) of 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 and the benefits of the staff of the Company.

In Year 2015, the Supervisors reviewed the operations of the Company and major issues, attended the meetings of 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 2015 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 2015 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 opinion that: the agricultural and water saving irrigation industry in China still has substantial development prospect. The influence from the economic growth slow-down and over competition within the industry will affect the development of the industry temporarily. We remain fully confident in the future prospects of the Company.

By order of the Supervisory Committee



Han Pan

Chairman of the Supervisory Committee

Xinjiang, the PRC
29th March, 2016

Auditors' Report

Pan-China Audit [2016] No. 3-127

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 “**Xinjiang Tianye Water Saving Company**”), which comprise the consolidated and the Parent Company’s balance sheets as at 31st December, 2015, the consolidated and the Parent Company’s income statement, the consolidated and the Parent Company’s statement of cash flows, the consolidated and the Parent Company’s statement of changes in equity of owners for the year 2015, as well as the notes to the financial statements.

I. MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The management of Xinjiang Tianye Water Saving Company is responsible for the preparation and fair presentation of these financial statements. These responsibilities include: (1) the preparation of financial statements that gives a fair view in accordance with the requirements of the Accounting Standards for Business Enterprises (“**ASBE**”); (2) the design, implementation and maintenance of internal control which is necessary to enable the presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. CERTIFIED PUBLIC ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Chinese standards on Auditing. Those standards require that we comply with Chinese Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified public accountants’ 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 certified public accountants consider the internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

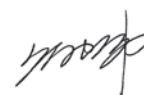
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Report

III. AUDIT OPINION

In our opinion, the financial statements of Xinjiang Tianye Water Saving Company have been in all material respects, prepared in accordance with the requirements of the ASBE, and give a fair view on the presentation of the consolidated and the Parent Company's financial position as at 31st December, 2015, and the consolidated and the Parent Company's results of operations and cash flows of Xinjiang Tianye Water Saving Company for the year then ended.

Pan-China Certified Public Accountants LLP Certified Public Accountant:



Certified Public Accountant:



Hangzhou, the People's Republic of China

29th March, 2016

Consolidated Balance Sheet

31st December, 2015

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited Expressed in RMB

Assets	Note	Closing balance	Opening balance
Current assets:			
Cash	1	119,409,562.95	109,888,469.36
Security deposits for settlement			
Interbank lending to banks and other financial institutions			
Financial assets at FVTPL for the current period			
Derivative financial assets			
Bills receivables	2	1,230,000.00	710,000.00
Receivables	3	89,930,937.59	101,737,989.34
Prepayments	4	24,692,728.93	17,030,537.23
Premium receivables			
Due from reinsurers			
Reinsurance contract reserve receivables			
Interest receivables			
Dividend receivables			
Other receivables	5	25,511,819.43	31,904,612.90
Financial assets purchased to resell			
Inventories	6	565,701,953.06	577,717,825.72
Assets classified as held-for-trading			
Non-current assets due within one year			
Other current assets	7	2,296,120.01	900,224.40
Total current assets		828,773,121.97	839,889,658.95

Consolidated Balance Sheet

31st December, 2015

Assets	Note	Closing balance	Opening balance
Non-current assets:			
Loans and advance extended			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	8	2,801,090.14	
Investment properties	9	8,135,753.19	8,466,326.72
Fixed assets	10	155,316,428.77	175,787,453.99
Construction in progress	11	21,897,634.04	5,854,112.80
Construction materials			
Fixed assets for disposal			
Biological assets for production			
Oil and gas assets			
Intangible assets	12	13,191,307.26	12,539,329.98
Development expenses			
Goodwill			
Long-term prepaid expenses	13	999,163.23	1,396,625.01
Deferred income tax assets	14	1,317,719.92	1,267,148.09
Other non-current assets	15		500,000.00
Total non-current assets		203,659,096.55	205,810,996.59
Total assets		1,032,432,218.52	1,045,700,655.54

Consolidated Balance Sheet

31st December, 2015

Liabilities and owners' equity	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Loans from central bank			
Deposit taking from customers and placement from banks and other financial institutions			
Interbank borrowing funds			
Financial liabilities at FVTPL for the current period	16	379,489.65	
Derivative financial liabilities			
Bills payables			
Trade payables	17	209,249,563.31	217,105,852.37
Receipts in advance	18	66,392,456.70	52,138,574.78
Sale and buy-back financial assets			
Fees and commission payables			
Employee remuneration payables	19	6,589,881.94	6,161,616.92
Tax and levy payables	20	2,893,787.70	6,051,564.32
Interest payables			
Dividend payables			
Other payables	21	14,389,937.23	21,511,916.39
Amounts due to reinsurers			
Provision for insurance contracts			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Liabilities classified as held-for-trading			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		299,895,116.53	302,969,524.78
Non-current liabilities:			
Long-term borrowings			
Bond payables			
Including: preference shares			
perpetual bonds			
Long-term payables			
Long-term employee remuneration payables			
Special payables			
Provisions			
Deferred income	22	9,728,621.82	10,928,621.82
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,728,621.82	10,928,621.82
Total liabilities		309,623,738.35	313,898,146.60

Consolidated Balance Sheet

31st December, 2015

Liabilities and owners' equity	Note	Closing balance	Opening balance
Owners' equity:			
Paid-in capital (or share capital)	23	519,521,560.00	519,521,560.00
Other equity instruments			
Including: preference shares			
perpetual bonds			
Capital reserve	24	15,372,472.17	15,372,472.17
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	25	34,724,097.27	34,724,097.27
General risk provisions			
Undistributed profit	26	141,071,178.55	147,865,043.54
Total owners' equity attributable to Parent Company		710,689,307.99	717,483,172.98
Minority interest		12,119,172.18	14,319,335.96
Total owners' equity		722,808,480.17	731,802,508.94
Total liabilities and owners' equity		1,032,432,218.52	1,045,700,655.54

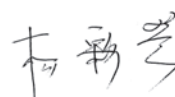
Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Balance Sheet of the Company

31st December, 2015

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Assets	Note	Closing balance	Opening balance
Current assets:			
Cash		91,106,251.01	83,053,101.74
Financial assets at FVTPL for the current period			
Derivative financial assets			
Bills receivables			
Receivables	1	63,610,508.24	62,723,821.56
Prepayments		13,252,236.28	2,286,419.89
Interest receivables			
Dividend receivables			
Other receivables	2	143,701,673.64	150,704,812.50
Inventories		311,470,003.21	381,021,558.29
Assets classified as held-for-trading			
Non-current assets due within one year			
Other current assets			
Total current assets		623,140,672.38	679,789,713.98

Balance Sheet of the Company

31st December, 2015

Assets	Note	Closing balance	Opening balance
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	3	134,495,530.61	134,224,440.47
Investment properties		8,135,753.19	8,466,326.72
Fixed assets		92,777,772.74	109,756,592.66
Construction in progress		21,861,634.04	5,854,112.80
Construction materials			
Fixed assets for disposal			
Biological assets for production			
Oil and gas assets			
Intangible assets		6,588,738.88	6,773,132.08
Development expenses			
Goodwill			
Long-term prepaid expenses		834,592.39	1,301,460.01
Deferred income tax assets		957,400.88	957,400.88
Other non-current assets			
Total non-current assets		265,651,422.73	267,333,465.62
Total assets		888,792,095.11	947,123,179.60

Balance Sheet of the Company

31st December, 2015

Liabilities and owners' equity	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings			
Financial liabilities at FVTPL for the current period		379,489.65	
Derivative financial liabilities			
Bills payables			
Trade payables		170,086,313.53	187,182,896.06
Receipts in advance		10,208,110.27	22,655,631.99
Employee remuneration payables		4,959,536.20	5,011,372.43
Tax and levy payables		2,371,534.01	2,639,624.72
Interest payables			
Dividend payables			
Other payables		12,387,631.11	29,006,102.12
Liabilities classified as held-for-trading			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		200,392,614.77	246,495,627.32
Non-current liabilities:			
Long-term borrowings			
Bond payables			
Including: preference shares			
perpetual bonds			
Long-term payables			
Long-term employee remuneration payables			
Special payables			
Provisions			
Deferred income		9,728,621.82	10,928,621.82
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,728,621.82	10,928,621.82
Total liabilities		210,121,236.59	257,424,249.14

Balance Sheet of the Company


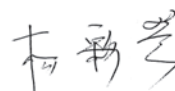
31st December, 2015

Liabilities and owners' equity	Note	Closing balance	Opening balance
Owners' equity:			
Paid-in capital (or share capital)		519,521,560.00	519,521,560.00
Other equity instruments			
Including: preference shares			
perpetual bonds			
Capital reserve		18,474,739.46	18,474,739.46
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		34,724,097.27	34,724,097.27
Undistributed profit		105,950,461.79	116,978,533.73
Total owners' equity		678,670,858.52	689,698,930.46
Total liabilities and owners' equity		888,792,095.11	947,123,179.60

Legal representative:

Responsible person for accounting:

Responsible person for accountant:

Consolidated Income Statement

2015

AC02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB


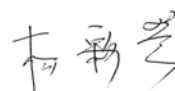
Item	Note	Current period	Corresponding period last year
I. Total operating income		667,448,233.21	700,812,361.47
Including: Operating income	1	667,448,233.21	700,812,361.47
II. Total operating cost		684,576,617.83	698,901,091.90
Including: Operating costs	1	608,638,571.23	631,578,559.49
Business taxes and surcharges	2	2,032,750.09	3,376,294.92
Distribution costs	3	41,672,153.67	38,187,801.45
Administrative expenses	4	25,291,958.03	22,747,650.54
Finance costs	5	-255,272.97	-271,497.76
Assets impairment loss	6	7,196,457.78	3,282,283.26
Add: Gain on changes in fair value (loss is denoted as “-”)	7	-379,489.65	
Investment income (loss is denoted as “-”) Including: Investment income from associates and joint venture	8	5,537,650.93 1,090.14	
Exchange gain (loss is denoted as “-”)			
III. Operating profits (loss is denoted as “-”)		-11,970,223.34	1,911,269.57
Add: Non-operating income	9	6,199,371.94	2,360,631.30
Including: Gain on disposal of non-current assets		415.58	69,077.75
Less: Non-operating expenses	10	501,561.35	360,203.19
Including: Loss from disposal of non-current assets		994.90	159,058.56
IV. Total profits (total losses are denoted as “-”)		-6,272,412.75	3,911,697.68
Less: Income tax expenses	11	1,221,777.91	2,461,220.02

Consolidated Income Statement

2015

Item	Note	Current period	Corresponding period last year
V. Net profit (net loss is denoted as “-”)		-7,494,190.66	1,450,477.66
Net profit attributable to owners of Parent Company		-6,793,864.99	2,079,527.41
Minority interest		-700,325.67	-629,049.75
VI. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to owners of Parent Company			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Gain or loss on changes in fair value of available-for-sale financial assets			
3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Effective hedging portion of gains (losses) arising from cash flow hedging instruments			
5. Exchange differences arising from translation of foreign currency denominated financial statements			
6. Others			
Net other comprehensive income attributable to minority interest after tax			
VII. Total comprehensive income		-7,494,190.66	1,450,477.66
Total comprehensive income attributable to owners of Parent Company		-6,793,864.99	2,079,527.41
Total consolidated income attributable to minority interest		-700,325.67	-629,049.75
VIII. Earnings per share:			
(1) Basic earnings per share		-0.013	0.0040
(2) Diluted earnings per share		-0.013	0.0040

Legal representative: Responsible person for accounting: Responsible person for accountant:

Income Statement of the Company

2015

AC02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Note	Current period	Corresponding period last year
I. Operating income	1	491,346,636.03	538,923,753.95
Less: Operating costs	1	468,760,288.67	498,426,610.39
business taxes and surcharges		814,378.75	2,570,293.19
distribution costs		21,073,424.34	23,195,916.80
administrative expenses		16,377,658.06	14,119,304.48
finance costs		-219,225.30	-202,524.47
assets impairment loss		5,932,802.15	16,333,701.45
Add: gain on changes in fair value (loss is denoted as “-”)		-379,489.65	
investment income (loss is denoted as “-”)	2	5,517,528.88	
Including: investment income from associates and joint venture		1,090.14	
II. Operating profits (loss is denoted as “-”)		-16,254,651.41	-15,519,547.89
Add: Non-operating income		6,050,990.18	2,025,864.44
Including: gain on disposal of non-current assets			
Less: non-operating expenses		199,630.00	227,128.47
Including: Loss from disposal of non-current assets			
III. Total profits (total losses are denoted as “-”)		-10,403,291.23	-13,720,811.92
Less: income tax expenses		624,780.71	1,417,854.80

Income Statement of the Company

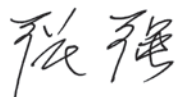
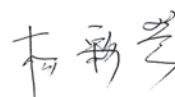
2015

Item	Note	Current period	Corresponding period last year
IV. Net profits (net loss is denoted as “-”)		-11,028,071.94	-15,138,666.72
V. Net other comprehensive income after tax			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Remeasurement of changes in net liabilities or net assets of defined benefit schemes			
2. Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method			
2. Gain or loss on changes in fair value of available-for-sale financial assets			
3. Gain or loss on reclassification of held-to-maturity investment to available-for-sale financial assets			
4. Effective hedging portion of gains (losses) arising from cash flow hedging instruments			
5. Exchange differences arising from translation of foreign currency denominated financial statements			
6. Others			
VI. Total comprehensive income		-11,028,071.94	-15,138,666.72
VII. Earnings per share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:

Responsible person for accounting:

Responsible person for accountant:

Consolidated Cash Flows Statement

2015

AC03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Note	Current period	Corresponding period last year
I. Cash flow generated from operating activities:			
Cash received from sale of goods and rendering of services		770,480,267.11	679,383,992.54
Net increase in deposit taking from customers and placement from banks and other financial institutions			
Net increase in loans from central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from premiums on direct insurance contracts			
Net cash received from reinsurance operation			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at FVTPL for the current period			
Cash received for interest, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in funds from repurchases			
Refund of taxes and levies received			
Other cash received relating to operating activities	1	5,014,229.32	9,504,855.41
Sub-total of cash inflow from operating activities		775,494,496.43	688,888,847.95

Consolidated Cash Flows Statement

2015

Item	Note	Current period	Corresponding period last year
Cash paid for purchase of goods and services received		608,594,097.13	520,897,683.29
Net increase in customers' loans and advance			
Net increase in central bank and interbank placement			
Cash paid for claim settlements on direct insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		89,297,921.34	87,620,313.80
Payments of all types of tax and levy		18,258,754.59	27,813,335.05
Other cash paid relating to operating activities	2	35,940,869.09	39,584,130.48
Sub-total of cash outflow from operating activities		752,091,642.15	675,915,462.62
Net cash flow generated from operating activities		23,402,854.28	12,973,385.33
II. Cash flow generated from investment activities:			
Cash received from recovery of investments		60,132,398.72	
Cash received from returns on investments		5,513,775.57	
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		5,154.45	1,287,646.47
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities	3	40,000,000.00	
Sub-total of cash inflow from investment activities		105,651,328.74	1,287,646.47
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		16,240,783.40	3,015,012.61
Cash paid for investments		62,932,398.72	500,000.00
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities	4	41,469,441.05	
Sub-total of cash outflow from investment activities		120,642,623.17	3,515,012.61
Net cash flow generated from investment activities		-14,991,294.43	-2,227,366.14

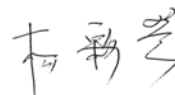
Consolidated Cash Flows Statement

2015

Item	Note	Current period	Corresponding period last year
III. Cash flow generated from financing activities:			
Cash received from capital contribution			
Including: cash received by subsidiaries from capital contribution of minority interest			
Cash received from loans obtained			
Cash received from bond issuance			
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities			
Cash paid for debt services			
Cash paid for distribution of dividends, profit or interest expenses			
Including: dividends and profit payable by subsidiaries to minority interest			
Other cash paid relating to financing activities			
Sub-total of cash outflow from financing activities			
Net cash flow generated from financing activities			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		1,024.09	-453.56
V. Net increase in cash and cash equivalents	5	8,412,583.94	10,745,565.63
Add: balance of cash and cash equivalents at the beginning of the period	5	109,888,469.36	99,142,903.73
VI. Balance of cash and cash equivalents at the end of the period		118,301,053.30	109,888,469.36

Legal representative: Responsible person for accounting: Responsible person for accountant:





Cash Flows Statement of the Company

2015

AC03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Note	Current period	Corresponding period last year
I. Cash flow generated from operating activities:			
Cash received from sale of goods and rendering of services		528,898,782.67	484,543,803.91
Refund of taxes and levies received			
Other cash received relating to operating activities		648,876.80	4,325,207.69
Sub-total of cash inflow from operating activities		529,547,659.47	488,869,011.60
Cash paid for purchase of goods and services received		421,328,289.35	362,926,298.57
Cash paid to and on behalf of employees		63,778,467.34	63,432,885.32
Payments of all types of tax and levy		9,256,356.75	18,593,082.76
Other cash paid relating to operating activities		15,640,667.00	25,096,783.42
Sub-total of cash outflow from operating activities		510,003,780.44	470,049,050.07
Net cash flow generated from operating activities		19,543,879.03	18,819,961.53

Cash Flows Statement of the Company

2015

Item	Note	Current period	Corresponding period last year
II. Cash flow generated from investment activities:			
Cash received from recovery of investments		60,132,398.72	
Cash received from returns on investments		5,513,775.57	
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets			1,952,286.91
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities		40,000,000.00	
Sub-total cash inflow from investment activities		105,646,174.29	1,952,286.91
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		13,569,598.02	1,547,634.50
Cash paid for investments		62,932,398.72	
Net cash paid for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities		41,469,441.05	
Sub-total of cash outflow from investment activities		117,971,437.79	1,547,634.50
Net cash flow generated from investment activities		-12,325,263.50	404,652.41

Cash Flows Statement of the Company

2015

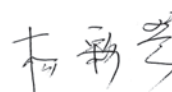
Item	Note	Current period	Corresponding period last year
III. Cash flow generated from financing activities:			
Cash received from capital contribution			
Cash received from loans obtained			
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities			
Cash paid for debt services			
Cash paid for distribution of dividends, profit or interest expenses			
Other cash paid relating to financing activities			
Sub-total of cash outflow from financing activities			
Net cash flow generated from financing activities			
IV. Effect of changes in foreign exchange rate on cash and cash equivalents		1,024.09	-453.56
V. Net increase in cash and cash equivalents		7,219,639.62	19,224,160.38
Add: balance of cash and cash equivalents at the beginning of the period		83,053,101.74	63,828,941.36
VI. Balance of cash and cash equivalents at the end of the period		90,272,741.36	83,053,101.74

Legal representative:

Responsible person for accounting:

Responsible person for accountant:





Consolidated Statement of Changes in Owners' Equity

2015

AC04

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Current period											
	Paid-in capital (or share capital)	Other equity instruments Preference shares	Perpetual bonds	Owners' equity attributable to the Company Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interest	Total owners' equity
I. Closing balance of previous year	519,521,560.00			15,372,472.17				34,724,097.27		147,865,043.54	14,319,335.96	731,802,508.94
Add: changes in accounting policies correction of errors of previous periods Business combination under common control Others												
II. Opening balance of the year	519,521,560.00			15,372,472.17				34,724,097.27		147,865,043.54	14,319,335.96	731,802,508.94
III. Increase/decrease in the current period (decrease is denoted as "-")												
(I) Total comprehensive income										-6,793,864.99	-2,200,163.78	-8,994,028.77
(II) Capital contribution and reduction by owners												
1. Capital contribution by owners												
2. Capital contribution by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity												
4. Others												
(III) Profit appropriation												
1. Transfer to surplus reserve											-1,499,838.11	-1,499,838.11
2. Transfer to general risk reserve												
3. Appropriation to owners (or shareholders)												
4. Others												
(IV) Internal transfer of owners' equity												
1. Capitalization of capital reserve to capital (or share capital)												
2. Capitalization of surplus reserve to capital (or share capital)												
3. Surplus reserve for making up losses												
4. Others												
(V) Special reserve												
1. Transfer for the period												
2. Utilized during the period												
(VI) Others												
IV. Closing balance for the period	519,521,560.00			15,372,472.17				34,724,097.27		141,071,178.55	12,119,172.18	722,808,480.17

Item	Corresponding period last year											
	Paid-in capital (or share capital)	Other equity instruments Preference shares	Perpetual bonds	Owners' equity attributable to the Company Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority interest	Total owners' equity
I. Closing balance of previous year	519,521,560.00			15,372,472.17				34,746,526.80		145,785,516.13	15,222,285.72	730,648,360.82
Add: changes in accounting policies correction of errors of previous periods Business combination under common control Others												
II. Opening balance of the year	519,521,560.00			15,372,472.17				34,746,526.80		145,785,516.13	15,222,285.72	730,648,360.82
III. Increase/decrease in the current period (decrease is denoted as "-")												
(I) Total comprehensive income								-22,429.53		2,079,527.41	-902,949.76	1,176,577.65
(II) Capital contribution and reduction by owners								-22,429.53		2,079,527.41	-629,049.75	1,450,477.66
1. Capital contribution by owners												
2. Capital contribution by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity												
4. Others								-22,429.53				-22,429.53
(III) Profit appropriation												
1. Transfer to surplus reserve											-273,900.01	-273,900.01
2. Transfer to general risk reserve												
3. Appropriation to owners (or shareholders)											-273,900.01	-273,900.01
4. Others												
(IV) Internal transfer of owners' equity												
1. Capitalization of capital reserve to capital (or share capital)												
2. Capitalization of surplus reserve to capital (or share capital)												
3. Surplus reserve for making up losses												
4. Others												
(V) Special reserve												
1. Transfer for the period												
2. Utilized during the period												
(VI) Others												
IV. Closing balance for the period	519,521,560.00			15,372,472.17				34,724,097.27		147,865,043.54	14,319,335.96	731,802,508.94

Legal representative:

Responsible person for accounting:

Responsible person for accountant:

Statement of Changes in Owners' Equity of the Company

2015

AC04

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Paid-in capital (or share capital)	Current period						Total owners' equity		
		Other equity instruments Preference shares	Perpetual bonds	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit
I. Closing balance of previous year	519,521,560.00			18,474,739.46				34,724,097.27	116,978,533.73	689,698,930.46
Add: changes in accounting policies correction of errors of previous periods Others									116,978,533.33	
II. Opening balance of the year	519,521,560.00			18,474,739.46				34,724,097.27		689,698,930.46
III. Increase/decrease in the current period (decrease is denoted as "-")									-11,028,071.94	-11,028,071.94
(I) Total comprehensive income									-11,028,071.94	-11,028,071.94
(II) Capital contribution and reduction by owners										
1. Capital contribution by owners										
2. Capital contribution by holders of other equity instruments										
3. Amount of share-based payment included in owners' equity										
4. Others										
(III) Profit appropriation										
1. Transfer to surplus reserve										
2. Appropriation to owners (or shareholders)										
3. Others										
(IV) Internal transfer of owners' equity										
1. Capitalization of capital reserve to capital (or share capital)										
2. Capitalization of surplus reserve to capital (or share capital)										
3. Surplus reserve for making up losses										
4. Others										
(V) Special reserve										
1. Transfer for the period										
2. Utilized during the period										
(VI) Others										
IV. Closing balance for the period	519,521,560.00			18,474,739.46				34,724,097.27	105,950,461.79	678,670,858.52

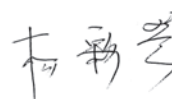
Item	Paid-in capital (or share capital)	Corresponding period last year Owners' equity attributable to the Company						Total owners' equity		
		Other equity instruments Preference shares	Perpetual bonds	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve		Surplus reserve	Undistributed profit
I. Closing balance of previous year	519,521,560.00			18,474,739.46				34,746,526.80	132,117,200.45	704,860,026.71
Add: changes in accounting policies correction of errors of previous periods Others										
II. Opening balance of the year	519,521,560.00			18,474,739.46				34,746,526.80	132,117,200.45	704,860,026.71
III. Increase/decrease in the current period (decrease is denoted as "-")										
(I) Total comprehensive income										
(II) Capital contribution and reduction by owners										
1. Capital contribution by owners										
2. Capital contribution by holders of other equity instruments										
3. Amount of share-based payment included in owners' equity										
4. Others										
(III) Profit appropriation										
1. Transfer to surplus reserve										
2. Transfer to general risk reserve										
3. Others										
(IV) Internal transfer of owners' equity										
1. Capitalization of capital reserve to capital (or share capital)										
2. Capitalization of surplus reserve to capital (or share capital)										
3. Surplus reserve for making up losses										
4. Others										
(V) Special reserve										
1. Transfer for the period										
2. Utilized during the period										
(VI) Others										
IV. Closing balance for the period	519,521,560.00			18,474,739.46				34,724,097.27	116,978,533.73	689,698,930.46

Legal representative:

Responsible person for accounting:

Responsible person for accountant:





Notes to Financial Statements

2015

Expressed in RMB

I. BASIC INFORMATION ON THE COMPANY

Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as 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 to the Main Board of the Hong Kong Stock Exchange on 24 January 2008, with its Stock Code changed from 8280 to 0840.

The Company operates in the plastic product manufacturing industry. Its business scope mainly covers development and promotion of high and new water saving irrigation technologies; production and sale of PVC materials for water supply pipes, PE piping materials and accessories, pressure compensatory drip tapes, labyrinth-style drip tapes, embedded-style drip tapes, agricultural tapes and drippers; grade one professional subcontractor for construction of agricultural water saving irrigation project (specific scope is subject to quality certificate), etc. Key products include: pressure compensatory style drip tapes, labyrinth-style drip tapes, embedded-style drip tapes and drippers, PVC pipelines for water supply, PE pipelines and assemblies.

These financial statements had been approved by the eighteenth meeting of the fourth session of the Board on 29th March, 2016 for publication.

The Company included subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd, Hami Tianye Hongxing Water Saving Irrigation Co., Ltd*, Kuitun Tiantun Water Saving Co., Ltd*, Akesu Tianye Water Saving Co., Ltd*, Shihezi Tiancheng Water Saving Device Co., Ltd, Liaoning Tianye Water Saving Irrigation Co., Ltd* and Shihezi Tianye Material Recycling Co., Ltd* into the consolidated financial statements for the period. For details, please refer to the change in the scope of consolidation and information on interests in other entities of the notes to these financial statements.

Notes to Financial Statements

2015

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

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

(II) Abilities to continue as a going concern

There is no event or circumstance of the Company which casts material doubts to the going concern assumption for the 12 months from the end of the reporting period.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Important: The Company formulated specific accounting policies and accounting estimates in respect of transactions or issues such as provision for bad debts on receivables, depreciation of fixed asset, amortization of intangible assets and revenue recognition based on the practical production and operation characteristics.

(I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in accordance with the requirements of the Accounting Standards for Business Enterprises ("ASBE"), and gives a true and complete view on information including the financial position, the operating results and cash flows of the Company.

(II) Accounting Period

An accounting year runs with the Gregorian calendar which lasts from 1st January to 31 December.

(III) Operating cycle

The Company operates on a relatively short operating cycle, which classifies the liquidity of assets and liabilities by a 12-months standard.

(IV) Functional currency

Renminbi is being adopted as the functional currency.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(V) Accounting treatment for business combinations under and not under common control

1. Accounting treatment for business combinations under common control

Assets and liabilities obtained by the Company in business combinations are measured at the carrying amounts attributable to the combined party as recorded in the consolidated financial statement of the ultimate controlling party at the date of the combination. The difference between the carrying amount of owners' equity attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party and the carrying amount of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve of the Company. If the capital reserve is insufficient to offset the difference, any excess is adjusted against retained earnings.

2. Accounting treatment for business combinations not under common control

The excess of the cost of combination over the fair value of the attributable net identifiable assets of the acquiree acquired in the combination at the combination date is recognized as goodwill. Where the cost of combination is less than the fair value of the attributable net identifiable assets of the acquiree, the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree acquired and of the cost of combination shall be reassess first. If the cost of combination is still less than the fair value of the acquiree's identifiable net assets acquired in the combination upon reassessment, the difference is included in profit or loss for the current period.

(VI) Preparation basis of the consolidated financial statements

The Company includes all subsidiaries under its control in the consolidation scope of consolidated financial statements, which are prepared by the Company pursuant to ASBE No. 33 — Consolidated financial statements based on the financial statements of the Company and its subsidiaries and other relevant information.

(VII) Classification of joint arrangements and accounting treatment for joint operations

1. The joint arrangements are classified into joint operations and joint ventures.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(VII) Classification of joint arrangements and accounting treatment for joint operations *(continued)*

2. Where the Company is a joint operator of a joint operation, the following items are recognized in respect of its attributable share of interest in the joint operation:
 - (1) recognize the assets individually held, and recognize jointly held assets according to its attributable share;
 - (2) recognize the liabilities individually held, and recognize jointly assumed liabilities according to its attributable share;
 - (3) recognize revenue from sales derived from the attributable output of the joint operation entitled by the company;
 - (4) recognize revenue derived from disposal of assets by the joint operation according to its attributable share;
 - (5) recognize expenses individually incurred, and recognize jointly incurred expenses according to its attributable share.

(VIII) Recognition criteria of cash and cash equivalents

Cash presented in the Statement of Cash Flows refers to 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.

(IX) Translation of operation denominated in foreign currency

Upon initial recognition, a transaction denominated in foreign currency is translated into Renminbi amounts using the spot exchange rate at the date of transaction. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from difference in exchange rates, except exchange differences in relation to the principle of and interest on specific-purpose borrowings denominated in foreign currency for the acquisition and construction of assets that qualify for capitalization, are recognized in profit or loss for the current period. Non-monetary items denominated in foreign currency that are measured at historical cost remain translated at the spot exchange rate at the dates of the transactions without changing its RMB denomination. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the spot exchange rate as at the date of determination of the fair value. The differences are included in profit or loss or other comprehensive income for the current period.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(X) Financial instrument

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following four categories at initial recognition: financial assets at FVTPL for the current period (including financial assets held for trading and financial assets designated as at FVTPL for the current period at initial recognition), held-to-maturity investments, loans and receivables and available-for-sale financial assets.

Financial liabilities are classified into the following two categories at initial recognition: financial liabilities at FVTPL for the current period (including financial liabilities held for trading and financial liabilities designated as at FVTPL for the current period at initial recognition) and other financial liabilities.

2. Basis of recognition, measurement and conditions of 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 a financial instrument. Financial assets or financial liabilities are measured at fair value upon initial recognition. For financial assets or financial liabilities at FVTPL for the current period, the relevant transaction costs are directly included in profit or loss for the current period; for other categories of financial assets or financial liabilities, the relevant transaction costs are included in their initial recognition amount.

Financial assets are subsequently measured at fair value without deducting the transaction costs that may incur by the disposal thereof in the future, except the following circumstances: (1) held-to-maturity investments and loans and receivables are measured at amortized cost using the effective interest method; and (2) equity instrument investments not quoted in an active market and for which fair value cannot be measured reliably and derivative financial assets linked to and settled by delivery of such equity instruments are measured at cost.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(X) Financial instrument** *(continued)***2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities** *(continued)*

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except the following circumstances: (1) financial liabilities at FVTPL for the current period are measured at fair value, without deducting the transaction costs that may incur by the settlement thereof in the future; (2) derivative financial liabilities linked to and settled by delivery of equity instruments that are not quoted in an active market and the fair value of which cannot be measured reliably are measured at cost; and (3) a financial guarantee contract that is not a financial liability designated as at FVTPL for the current period or a loan commitment for loans to be extended at a below market interest rate which is not designated as at FVTPL for the current period, after initial recognition, are subsequently measured at the higher of: (1) the amount determined under ASBE No. 13 – Contingencies; and (2) the balance of initial recognized amount less accumulated amortization determined according to the principals under ASBE No. 14 – Revenue.

Gains or losses arising from changes in fair value of financial assets or financial liabilities, except for those related to hedging, are treated by the following methods: (1) gains or losses arising from changes in fair value of financial assets or financial liabilities at FVTPL for the current period are included in gains from changes in fair value. Interests or cash dividends received during the holding period of such assets are recognized as investment income. On disposal, the difference between the proceeds actually received and the initial cost is recognized as gain on investment and the gain from changes in fair value is adjusted accordingly. (2) Changes in fair value of available-for-sale financial assets are included in other comprehensive income. Interests during the holding period of such assets as calculated by the effective interest method, are included in gain on investment. Cash dividends from available-for-sale equity instrument investments are included in gain on investment as the investee declares the distribution of dividends. On disposal, the difference between the proceeds actually received and the carrying amount less the accumulated changes in fair value, which directly included in other comprehensive income previously, is recognized as gain on investment.

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have been terminated, or substantially all the risks and rewards associated with the ownership of the financial asset have been transferred. A financial liability is derecognized in whole or in part accordingly when the present obligations are discharged in whole or in part.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(X) Financial instrument *(continued)*

3. Recognition and measurement of transfer of financial assets

A financial asset is derecognized when the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee. A transferred financial asset will remain recognized if the Company retains substantially all the risks and rewards associated with the ownership of a financial asset, with the consideration received recognized as a financial liability. Where the Company has neither transferred nor retained substantially all the risks and rewards associated with the 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 associated liability accordingly if control has been retained.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and cumulative changes in fair value previously included in owners' equity, is recognized in profit or loss for the current period. If a partial transfer of a financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that subject to and the part not subject to derecognition, in proportion to the respective fair values of those parts. The difference between (1) the carrying amount of the part derecognized; and (2) the sum of the consideration of the part derecognized and the cumulative changes in fair value for the part derecognized which has been previously included in owners' equity, is included in profit or loss.

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

The Company adopts valuation techniques that are appropriate under the circumstances and supported by sufficient data and other information available to determine the fair value of the relevant financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques into the following hierarchies, and applies in the following sequence:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(X) Financial instrument *(continued)*

4. Determination of fair value of financial assets and financial liabilities *(continued)*

- (2) Level 2 inputs are direct or indirect observable inputs for relevant asset or liability other than Level 1 inputs, including: quoted price for similar assets or liabilities in an active market; quoted price for the same or similar assets or liabilities in an inactive market; other observable inputs excluding quoted price, such as interest rates and yield curves observable at commonly quoted intervals; inputs that are evidenced in market, etc.
- (3) Level 3 inputs are unobservable inputs for relevant asset or liability, including (among others) interest rates, stock volatility, future cash flows from the disposal obligations assumed in a business combination, financial forecast using internal data that are not directly observable or can not verified by observable market data.

5. Impairment test and provision for impairment for financial assets

- (1) The carrying amount of a financial asset, other than financial assets at FVTPL for the current period, is reviewed at the balance sheet dates. Provision for impairment is made when there is objective evidence indicating that such financial asset is impaired.
- (2) For a held-to-maturity investment or loan and receivable that is individually significant, the financial asset is separated at first and tested individually for impairment; for a financial asset that is individually insignificant, the asset is tested individually for impairment or includes in a group of financial assets with similar credit risk characteristics and collectively tested for impairment. Where a financial asset (including financial assets individually significant or insignificant) is determined to be not impaired in an individual impairment test, it will be included in a group of financial assets with similar credit risk characteristics and reassessed for impairment. If the result of the impairment test indicates that the financial asset is impaired, an impairment loss is recognized at the excess of its carrying amount over the present value of estimated future cash flows.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(X) Financial instrument** *(continued)***5. Impairment test and provision for impairment for financial assets** *(continued)*

(3) Available-for-sale financial assets

- 1) Objective evidence indicating that an investment in available-for-sale debt instrument is impaired include:
 1. The debtor is suffered from significant financial difficulties;
 2. Breach of terms of contract by the debtor, such as default or overdue in interest or principle payments;
 3. The Company, for economic or legal considerations grants a concession to the debtor with financial difficulty;
 4. It becomes probable that the debtor will enter into bankruptcy or other financial reorganizations;
 5. The debt instrument could not be traded on an active market continuously as the debtor is subject to significant financial difficulties;
 6. Other circumstances indicating that the debt instrument is impaired.
- 2) Objective evidence indicating that an investment in available-for-sale equity instrument is impaired includes a significant or prolonged decline in the fair value of the investment in the equity instrument, and a significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the investee operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(X) Financial instrument *(continued)*

5. Impairment test and provision for impairment for financial assets *(continued)*

(3) Available-for-sale financial assets *(continued)*

The Company reviews each investment in available-for-sale equity instrument individually at each balance sheet date. For the equity instrument investment measured at fair value, if the fair value declines by over 50% of its cost or declines to below its cost for more than 12 months (including 12-months), it indicates that it is impaired; if the fair value declines by more than 20% (including 20%) but less than 50% of its cost, or declines to below its cost for more than 6 months (including 6 months) but not more than 12 months, the Company will take other relevant factors into consideration, such as price fluctuations to determine whether it is impaired. For the equity instrument investment measured at cost, the Company will take into consideration whether there is any significant change with an adverse effect that has taken place in the technological, market, economic or legal environment in which the investee operates, and indicates that the cost of the investment in the equity instrument may not be recovered, to determine whether it is impaired.

If an available-for-sale financial assets measured at fair value is impaired, the cumulative losses arising from the decline in fair value that had been included directly in other comprehensive income are transferred out into impairment loss. For an available-for-sale debt instrument investment for which impairment losses have been recognized, if its fair value subsequently increases and the increase can be objectively related to an event subsequent to the recognition of the previous impairment losses, the previously recognized impairment losses are released and included into profit or loss for the current period. For an available-for-sale equity instrument investment on which impairment losses have been recognized, the subsequent increase in its fair value is recognized directly in other comprehensive income.

If an equity instrument investment measured at cost is impaired, an impairment loss is recognized at the excess of the carrying amount of such instruments investment over the present value of future cash flows discounted at the prevailing market yield for similar financial assets, and included in profit or loss for the current period; the recognized impairment loss shall not be reversed.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XI) Receivables

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

Basis or monetary criteria for determination of individually significant	Individually significant refers to an amount of RMB1 million or above
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Method of provision for bad debts that are individually significant and for which bad-debt provision is individually made	Tested individually for impairment, provision for bad-debts is made according to the difference between the present value of its future cash flows and its carrying amount.
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2. Receivables for which bad-debt provision is made in groups with similar credit risk characteristics

(1) *Specific groups and method for provision for bad debt*

Basis for determination of the group

Aging analysis method group	Receivables of the same age with similar credit risk characteristics
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Individual assessment method group	Amounts due from the controlling shareholder of the Company or any of its subsidiaries subject to consolidation, security deposits for state land treatment project and government procurement project
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Method of provision for bad debt on a group basis

Aging analysis method group	Aging analysis method
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Individual assessment method group	Tested individually for impairment, provision for bad-debts is made according to the difference between the present value of its future cash flows and its carrying amount.
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Notes to Financial Statements

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XI) Receivables** *(continued)***2. Receivables for which bad-debt provision is made in groups with similar credit risk characteristics** *(continued)**(2) Aging analysis method*

Age	Receivables Percentage of provision (%)	Other receivables Percentage of provision (%)
Within 1 year (including 1 year, same rule applies below)	1.00	1.00
1-2 years	50.00	50.00
Over 2 years	100.00	100.00

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

Reason for making individual bad-debt provision	For state land treatment projects and government procurement projects, bad-debt provision is made individually based on (among others) the solvency and cash flows of the debtor
Method of provision for bad debts	Tested individually for impairment, provision for bad-debts is made according to the difference between the present value of its future cash flows and its carrying amount.

For other receivables such as bills receivables, interests receivable, and long-term receivables, bad-debt provision is made according to the difference between the present value of its future cash flows and its carrying amount.

(XII) Inventories**1. Classifications of inventories**

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

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XII) Inventories *(continued)*

2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method at the end of each month.

3. Basis for determination of net realizable value of inventories

At the balance sheet date, the Company's inventories are measured at the lower of cost and net realizable value. Provision for impairment is made for the excess of the cost over the net realizable value of individual inventory. For inventories for immediate sale, net realizable value is determined as the estimated selling price of the inventories less the estimated costs of sales and relevant taxes and levies in the ordinary course of business. For inventories that require processing, net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies in the ordinary course of business. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realizable values are determined separately and compared with their respective costs to determine the amount of provision for impairment made or released.

4. Inventory system

Our inventory taking system is perpetual inventory system.

5. Amortization methods for low-value consumables and packaging materials

(1) *Low-value consumables*

Amortized by one-off amortization method.

(2) *Packaging materials*

Amortized by one-off amortization method.

Notes to Financial Statements

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XIII) Long-term equity investment

1. Determination of joint control or significant influence

Joint control is determined as the common control over an arrangement according to related agreement, where the decisions on the activities relating to the arrangement require the unanimous consent of the participating parties sharing the control. Significant influence is determined as the power to participate in the decisions governing the financial and operating policies of the investee but is not able to exercise control or exercise common control with other participating parties over those policies.

2. Determination of investment cost

- (1) The initial investment cost of a long-term equity investment obtained through a business combination under common control is the carrying amount of owners' equity attributable to the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination, if the consideration from the combining party 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 amount of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve. If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

A long-term equity investment derived from a business combination under common control which achieved by phases through multiple transactions, is determined if it constitutes a "Package Deal" or not.

If it constitutes a "Package Deal", the Company conducts accounting treatment for all transactions as if it is a transaction that obtained control. If a long-term equity investment does not constitute a "Package Deal", its initial investment cost is determined as the carrying amount of the net asset attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party upon combination at the combination date. The difference between the initial investment cost of the long-term equity investment at combination date and the sum of the carrying amount of the long-term equity investment before combination and the carrying amount of new consideration paid for obtaining further shares at combination date is adjusted against the capital reserve. If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XIII) Long-term equity investment *(continued)*

2. Determination of investment cost *(continued)*

- (2) For a long-term equity investment derived from a business combination not under common control, the initial investment cost is the fair value of the consideration paid for the combination at the acquisition date.

For a long-term equity investment derived from a business combination not under common control which achieved by phases through multiple transactions, the relevant accounting treatments are conducted separately in individual financial statements and the consolidated financial statements:

- 1) In the individual financial statements, the carrying amount of equity investments originally held is extended by the addition of new investment costs as the initial investment cost and accounted for by cost method instead.
- 2) In the consolidated financial statements, it is determined if it constitutes a "Package Deal" or not.

If it constitutes a "Package Deal", the Company conducts accounting treatment for all transactions as if it is a transaction that obtained control. If a long-term equity investment does not constitute a "Package Deal", the equity in the acquiree held before the acquisition date is remeasured at fair value of the equity on the acquisition date. The difference between the fair value and the carrying amount is included in gain on investment for the current period. If other comprehensive income as accounted for by equity method is involved in the equity in the acquiree held prior to the acquisition date, the relevant comprehensive income shall be stated as the gain for the current period of the acquisition date. However, it excludes the other comprehensive income due to the remeasurement of changes in net liability or net asset of defined benefit scheme by the investee.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XIII) Long-term equity investment *(continued)*

2. Determination of investment cost *(continued)*

- (3) For a long-term equity investment derived otherwise than by a business combination, if it is acquired by cash payment, its initial investment cost is the effective acquisition consideration paid; if the investment is acquired by issuance of equity securities, its initial investment cost is the fair value of the equity securities issued; if it is acquired by debt restructuring, its initial investment cost is determined in accordance with ASBE No. 12 — Debt Restructuring; if it is acquired by non-monetary assets exchange, its initial investment cost is determined in accordance with ASBE No. 7 — Non-monetary Assets Exchange.

3. Subsequent measurement and recognition of profit or loss

A long-term equity investment with control over the investee is accounted for by the cost method. A long-term equity investment in associates and joint ventures are accounted for by the equity method.

4. Accounting treatment of a disposal of investment in a subsidiary through multiple transactions until the control on the investee has been lost

(1) *Individual financial statements*

For the equity interest being disposed of, the difference between its carrying amount and actual proceeds obtained is included in profit or loss for the period. For the remaining equity interest, if it still exercise significant influence on or, in conjunction with other parties, has a joint control in the investee, it is accounted for using the equity method instead; or it is recognized as available-for-sale financial assets and accounted for in accordance with ASBE No. 22 — Recognition and Measurement of Financial Instrument if it can no longer exercise control, joint control or significant influence on the investee.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XIII) Long-term equity investment *(continued)*

4. Accounting treatment of a disposal of investment in a subsidiary through multiple transactions until the control on the investee has been lost *(continued)*

(2) Consolidated financial statements

- 1) Disposal of investment in a subsidiary through multiple transactions until the control on the investee has been lost, which does not constitute a “Package Deal”

Prior to the loss of control, the differences between the proceeds from the disposal and the subsidiary's net assets attributable to the disposed long-term equity investment since acquisition date or combination date are adjusted against the capital reserve (capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

When the control over the former subsidiary is lost, the remaining equity interest is remeasured at its fair value at the date when control over the subsidiary has been lost. The different between the sum of consideration received from the disposal of the equity interest and the fair value of the remaining equity interest less the net assets in the former subsidiary as calculated by the previous percentage of shareholding since acquisition date or combination date is included in investment income during the current period in which the control on the investee was lost, and write down the goodwill accordingly. Other comprehensive income associated with the investment in equity interest in the former subsidiary is transferred to gain on investment when the control on the investee was lost.

- 2) Disposal of investment in a subsidiary through multiple transactions until the control on the investee has been lost, which constitutes a “Package Deal”

All transactions are collectively accounted for as a transaction for the disposal of a subsidiary in which the control on the investee is lost. Nonetheless, prior to the loss of control, the difference between each of the amounts of the disposal proceeds and the corresponding amounts of the subsidiary's net assets attributable to the investment being disposed of is recognized as other comprehensive income in the consolidated financial statements, and is transferred collectively to profit or loss during the period when the control on the investee has been lost.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XIV) Investment property**

- Investment property includes land use rights leased out, land use rights held for appreciation and sale, and buildings leased out.
- Investment property is initially measured at cost and subsequently measured by the cost model, and depreciated or amortized using the same method as fixed assets and intangible assets.

(XV) Fixed assets**1. Recognition conditions for fixed assets**

Fixed assets represent the tangible assets held for production of goods or supply of services, lease or operation and administrative purposes with useful lives over one accounting year. Fixed assets are recognized when they simultaneously satisfy the conditions that it is probable that its economic benefits may flow to the Company and the cost can be measured reliably.

2. Depreciation methods of different categories of fixed assets

Category	Depreciation method	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line-method	8–40	3.00–5.00	2.38–12.13
Machinery and equipment	Straight-line-method	5–14	3.00–5.00	6.79–19.40
Motor vehicles	Straight-line-method	5–10	3.00–5.00	9.50–19.40
Office and other equipment	Straight-line-method	5–14	3.00–5.00	6.79–19.40

(XVI) Construction in progress

- Construction in progress is recognized when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost for construction of such asset incurred till it is ready for intended use. Construction in progress is transferred into fixed assets at its actual cost when it is ready for its intended use.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XVI) Construction in progress *(continued)*

2. For those ready for intended use but have not completed the final completion audit, the asset is transferred into fixed assets based on the estimated value. After the completion of the final completion audit, the Company makes adjustment to the previous estimated value on the basis of the actual cost, but will not adjust the depreciation retrospectively.

(XVII) Borrowing costs

1. Principle for recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company directly attributable to the acquisition, construction or origination of assets qualified for capitalization are capitalized as the cost of such assets. Other borrowing costs are recognized as expense and charged to profit or loss for the current period as incurred.

2. Period for borrowing costs capitalization

- (1) Borrowing costs begin to capitalize when all of the following conditions are met 1) capital expenditures have been incurred, 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 is suspended if 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 recognized as expenses for the current period until the acquisition, construction or production activities resume.
- (3) The capitalization of borrowing costs ceases when the assets qualified for capitalization have been acquired, constructed or produced and are ready for their intended use or sale.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XVII) Borrowing costs** *(continued)***3. Capitalization rate and capitalized amount of borrowing costs**

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

(XVIII) Intangible assets

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

Item	Useful life (years)
Land use rights	50

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XVIII) Intangible assets *(continued)*

3. Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that satisfy the following conditions are recognized as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) has the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; and (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

Specific criteria for dividing expenditure incurred during the research stage and development stage of internal research and development projects:

An internal research and development project of the Company, from early research to mature application, is divided into research stage and development stage, specifically, into such stages as research, feasibility studies, project establishing, preliminary studies (including formulation and process design, equipment selection, development of technical standards, etc.), bench-scale testing, pilot testing, and trial-producing. The Company take bench-scale testing as the basis for dividing the research stage and development stage.

(XIX) Impairment of part of long-term assets

For long-term assets such as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress and intangible assets with limited useful lives, the Company estimates its recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall conduct impairment test, irrespective of whether there is any indication of impairment. The Company conduct impairment test on goodwill together with the related asset group or asset group portfolio.

If the recoverable amount of such long-term assets is less than its carrying amount, a provision for asset impairment is made at the difference and included in profit or loss for the current period.

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XX) Long-term prepaid expenses

Long-term prepaid expenses are accounted for in respect of various expenses which have been incurred but with an amortization period of more than one year (excluding one year). 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 full unamortized balance is then transferred to profit or loss for the current period.

(XXI) Employee Remuneration

1. Employee Remuneration consists of short-term remuneration, post-employment benefit, termination benefits and other long-term employee benefits.

2. Accounting treatment for short-term remuneration

Short-term remuneration actually incurred is recognized as liability and included in profit or loss for the current period or cost of related assets during the accounting period in which an employee renders services to the Company.

3. Accounting treatment for post-employment benefits

Post-employment benefits are classified into defined contribution scheme and defined benefit scheme:

- (1) The contributions payable as calculated according to the defined contribution scheme are recognized during the accounting period in which the employee renders services to the Company as liabilities and are included in profit or loss for the current period or cost of relevant assets.
- (2) Accounting treatment for the defined benefit scheme normally includes the following steps:
 - 1) The obligations arising from the defined benefit scheme are measured by using the projected unit credit method to estimate the relevant demographic statistical variables and financial variables with unbiased and consistent actuarial assumptions, and the period in which the obligations incurred is determined accordingly. Whereas the obligations arising from the defined benefit scheme are discounted to determine the present value and service costs for the defined benefit scheme;

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXI) Employee Remuneration *(continued)*

3. Accounting treatment for post-employment benefits *(continued)*

- (2) Accounting treatment for the defined benefit scheme normally includes the following steps: *(continued)*
 - 2) For defined benefit scheme which has assets, the deficits or surplus arrived by netting off the fair value of assets of the defined benefit scheme from the present value of the defined benefit scheme are recognized as a net liability or net asset of a defined benefit scheme. Where the defined benefit scheme has surplus, the net asset of the defined benefit scheme is measured at the lower of the surplus or maximum assets limit of the defined benefit scheme.
 - 3) At the end of the period, employee remuneration costs arising from the defined benefit scheme are recognized as three elements, namely, service costs, net interest of net liability or net asset of defined benefit scheme and changes arising from re-measurement of net liability or net asset of defined benefit scheme. In which, the service costs and net interest of net liability or net asset of defined benefit scheme are included in profit or loss for the current period or costs of relevant assets, changes arising from re-measurement of net liability or net asset of defined benefit scheme are included in other comprehensive income. These amounts recognized in other comprehensive income are irreversible to profit or loss in subsequent accounting period, but is transferrable within equity.

4. Accounting treatment for termination benefits

For termination benefits provided to employees, employee remuneration liability incurred by termination benefits is recognized at the earlier date of the following and charged from profit or loss for the current period: (1) when the Company may not unilaterally revoke the termination benefits provided pursuant to a labour relationship dismissal scheme or redundancy proposal; (2) the Company recognizes the costs or expenses related to a reorganization involving the payment of termination benefit.

Notes to Financial Statements

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXI) Employee Remuneration *(continued)*

5. Accounting treatment for other long-term employee benefits

Where other long-term benefits provided to employee satisfy the conditions of defined contribution scheme, the Company conducts accounting treatment for such benefits according to the relevant requirements of defined contribution scheme. Other long-term benefits other than this are treated according to the relevant requirements of defined benefit scheme. In order to simplify the related accounting treatments, the Company recognizes the costs of employee remuneration arising thereof as service costs, the total net amount including net interest of net liability or net asset of other long-term employee benefits and changes arising from re-measurement of net liability or net asset of other long-term employee benefits is charged from profit or loss for the current period or cost of related assets.

(XXII) Provision

1. Provision is recognized when contingencies such as provision of external guarantee, litigation, quality assurance and loss-making contract become a present obligation of the Company, and it is probable that an outflow of economic benefits from the Company is required to discharge the obligation and the amount of the obligation can be reliably estimated.
2. Provisions are initially measured on the basis of the best estimate of the expenses required to discharge the relevant present obligation, and reassessed the carrying amount of the provision on the balance sheet date.

(XXIII) Revenue

1. Principles of revenue recognition

(1) *Sale of goods*

Revenue from sale of goods is recognized when the following conditions are met

- 1) substantial 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 can be measured reliably;
- 4) the relevant economic benefits are likely to flow into the Company; and
- 5) related costs incurred or to be incurred can be measured reliably.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXIII) Revenue *(continued)*

1. Principles of revenue recognition *(continued)*

(2) *Rendering of services*

At the balance sheet date, when results of the transactions involving the rendering of services could be estimated reliably (which satisfy all of the followings: the amount of revenue can be measured reliably, it is probable that relevant economic benefits will flow to the Company, the percentage of construction work can be reliably determined and cost incurred or to be incurred can be measured reliably), revenue from rendering of services is recognized according to the percentage of completion method. The percentage of completion of services rendered is based on the percentage of services rendered relative to the total volume of service. When results of the transactions involving the rendering of services could not be measured reliably at the balance sheet date, revenue from rendering of services is recognized as the service cost incurred and carried forward the same amount of service cost if the costs of services rendered are expected to be compensated, if the costs of services rendered are not expected to be compensated, the service costs incurred is not recognized and such costs are charged to the profit or loss for the current period.

(3) *Transfer of assets use rights*

Revenue from transfer of assets use rights is recognized when it is probable that relevant economic benefits will 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 cash is used by others and the effective interest rate. Income from usage fee is recognized according to timing and method of charge as agreed under relevant contracts or agreements.

(4) *Construction contracts*

1) Revenue and cost of construction contract are recognized by percentage of completion if the results of the contract could be reliably estimated at the balance sheet date, otherwise revenue is recognized as the actual recoverable contract cost with the contract cost recognized as contract expense for the period in which it is incurred if such cost is recoverable, or immediately recognized as contract expense as incurred without recognizing the revenue of the contract if such cost is irrecoverable.

Notes to Financial Statements

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXIII) Revenue *(continued)*

1. Principles of revenue recognition *(continued)*

(4) Construction contracts *(continued)*

- 2) The results of the cost-plus contract can be reliably estimated if all of the following conditions are met: it is probable that the economic benefits associated with the contract will flow to the Company and the contract cost actually incurred could be distinguished and reliably measured. The results of the cost-plus contract can be reliably estimated if all of the following conditions are met: it is probable that the economic benefits associated with the contract will flow to the Company and the contract cost actually incurred could be distinguished and reliably measured.
- 3) The progress of completion is determined by the proportion of the contract work performed to the expected total contract work.
- 4) At the balance sheet date, expected loss is recognized as expense for the current period if the expected total contract costs exceed total contract revenue. For construction contracts in progress, provisions for impairment of inventories are made at the difference. For loss-making contracts to be performed, this difference are recognized as expected liabilities.

2. Specific methods of revenue recognition

The Company mainly sells products such as pressure compensatory style drip tapes, labyrinth-style drip tapes, embedded-style drip tapes and drippers, PVC pipelines for water supply, PE pipelines and assemblies. Where a customer collects the goods from our warehouse or orders the Company to arrange for transportation, the Company recognizes the revenue upon delivery and acceptance of the products and after issuance of invoice according to the bill of delivery.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXIV) Government grants

1. The basis for determining government grants relating to assets and accounting treatments

The government grants obtained by the Company for purchasing or constructing or otherwise originating long-term assets are classified as government grants relating to assets. Government grants relating to assets are recognized as deferred income and allocated evenly over the expected useful life of the relevant asset and included in profit or loss for the current period. Nevertheless, government grants measured at notional value are directly included in profit or loss for the current period.

2. The basis for determining government grants relating to income and accounting treatments

Government grants other than government grants relating to assets are classified as government grants relating to income. Government grants relating to income applied in compensating related costs or losses in subsequent periods are recognized as deferred income and included in profit or loss for the current period in which the related costs are recognized. Government grants, applied in compensating related costs or losses already incurred, are directly recognized in profit or loss for the current period.

(XXV) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are recognized on the basis of the difference between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognized as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled.
2. Deferred income tax assets are recognized for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognized in prior accounting periods are recognized 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 utilized.

Notes to Financial Statements

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXV) Deferred income tax assets and deferred income tax liabilities *(continued)*

3. The carrying amount of deferred income 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 income tax asset can be utilized. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognized in profit or loss for the current period as tax expense or profit, excluding income tax arising from (1) business combination; (2) transactions or issues directly recognized in owners' equity.

(XXVI) Leases

1. Accounting treatment for operating leases

If the Company is the lessee, rental expenses are included in relevant asset costs or recognized in profit or loss for the current period on straight-line basis over each period in the lease term, with any initial direct cost incurred directly charged to profit or loss for the current period. Contingent rental is credited to current profit or loss when incurred.

If the Company is the lessor, rental expenses are included in profit or loss for the current period on straight-line basis over the lease term, with any initial direct cost incurred (other than those larger amounts are capitalized and charged to profit or loss by phases) directly charged to profit or loss for the current period. Contingent rental is credited to current profit or loss when incurred.

2. Accounting treatment for to finance leases

If the Company is the lessee, at the inception date of the lease, the lower of fair value of the leased assets at the inception date of the lease and the present value of minimum lease payment is accounted for as the value of the leased assets. The minimum lease payment is accounted for as the value of long-term payable. The difference represents unrecognized finance costs with any initial direct expense incurred included in the value of leased assets. For each period in the lease term, current finance cost is calculated using effective interest method.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XXVI) Leases** *(continued)***2. Accounting treatment for to finance leases** *(continued)*

If the Company is the lessor, at the inception date of the lease, the sum of minimum lease income at the inception date of the lease and the initial direct expense is accounted for as the value of finance lease payment receivable, with the 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 recognized as unrealized finance income. For each period of the lease term, current finance income is calculated and recognized using effective interest method.

(XXVII) Other significant accounting policies and accounting estimates**1. Basis for recognition of discontinued operation and accounting treatments**

A component of the Company that has been disposed of or is classified as held for sale, and can be distinguished separately for the operation and the preparation of financial statements is recognized as a discontinued operation:

- (1) the component represents an independent major line of business or a major geographical area of operations;
- (2) the component is part of a plan for the contemplated disposal of an independent major line of business or a major geographical area of operations;
- (3) the component is a subsidiary acquired exclusively for the purpose of resale.

Particulars of the discontinued operation of the Company, please see the description to the discontinued operation under other significant events in the notes to these Financial Statements.

Notes to Financial Statements

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III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVII) Other significant accounting policies and accounting estimates *(continued)*

2. Basis for adopting hedge accounting and accounting treatments

- (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, the Company formally designates the hedge relationship (i.e. the relationship between the hedging instrument and the hedged item) and has prepared formal written documents on hedge relationship, the risk management objective and its strategy for undertaking the hedge; 2) Such hedge is 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 changes in cash flows that will eventually affect the profit or loss; 4) the hedge effectiveness can be reliably measured; and 5) the hedge effectiveness is evaluated on an ongoing basis, ensuring that the hedge is highly effective during the period in which the hedge relationship is designated.

A hedge is deemed highly effective if it satisfies all of the following conditions: 1) it is expected to effectively offset movement in fair value or cash flows arising from the hedged risks during the period in which the hedge is designated at the inception and in subsequent periods; 2) the actual offset result of the hedge ranges from 80% to 125%.

- (3) Accounting treatment for hedges

- 1) Fair value hedges

If the hedging instrument is a derivative, the gain or loss arising from movement in the fair value thereof is included in profit or loss for the current period. 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 included in profit or loss for the current period, with corresponding adjustment made to the carrying amount of the hedged item.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVII) Other significant accounting policies and accounting estimates *(continued)*

2. Basis for adopting hedge accounting and accounting treatments *(continued)*

(3) Accounting treatment for hedges *(continued)*

2) Cash flow hedges

- ① The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is included in profit or loss for the current period.
- ② If the hedged item is an expected transaction for which the Company subsequently recognizes a financial asset or financial liability, the related gain or loss directly recognized as owners' 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 recognizes a non-financial asset or non-financial liability due to the expected transaction, the related gain or loss directly recognized in owners' equity is transferred to the amount initially recognized on the non-financial asset or non-financial liability.

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

3. Accounting treatments related to repurchase of shares of the Company

Purchase of shares of the Company due to reduction of the registered capital or employee incentives is accounted for as treasury share according to the amount actually paid and is filed for further inspection. If the repurchased shares is being cancelled, the difference between total nominal value of shares calculated by nominal value and number of the cancelled shares and the amount actually paid for repurchase will be offset against capital reserve. If the capital reserve is insufficient to offset the difference, any excess is offset against retained earnings. If the repurchased shares are used to incentivize the employee of the Company under an equity-settled share-based payment, when the employee exercises the rights to repurchase shares of the Company, the Company writes off the cost of treasury shares delivered to the employee upon receipt of consideration and the cumulative amount from capital reserve (other capital reserves) during the vesting period, while its difference is adjusted to capital reserve (share premium).

Notes to Financial Statements

2015

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XXVIII) Significant accounting judgement and estimates**

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertainties are reviewed on an ongoing basis by the Company. The effects of changes to accounting estimates are recognized during the period in which the estimate is revised and in any future periods affected.

The main uncertainties in the estimated amount are as follows:

1. Recognition of deferred income tax assets

As stated in note III to the Financial Statements — Deferred income tax assets and deferred income tax liabilities, deferred income tax assets are recognized on the basis of the deductible temporary differences between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognized as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled. Deferred income tax assets are recognized for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

2. Provision for doubtful debt

As stated in note III to the Financial Statements — Receivables, for Individually significant receivables for which separate bad-debt provision is made, it is individually assessed for impairment and bad-debt provision is made on the basis of the difference between the present value of its estimated future cash flows and its carrying amount. For receivable groups that are individually insignificant but with relatively high credit risk, bad-debt provision is made on the basis of the difference between the present value of its estimated future cash flows and its carrying amount, according to the structure of the receivable portfolio and similar credit risk characteristics (debtors' ability to settle outstanding amounts based on contracted terms) and taking into account the historical losses and the expected potential losses arising from the debtor's economic conditions. For individually insignificant receivables for which bad-debt provision is separately made, individually assessed for impairment with bad-debt provision is made based on the difference between the present value of its estimated future cash flows and its carrying amount.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVIII) Significant accounting judgement and estimates *(continued)*

3. Provision for impairment of inventories

As stated in Inventories under note III to these Financial Statements, at the balance sheet date, the Company's inventories are measured at the lower of cost and net realizable value. Provision for impairment is made for the excess of the cost over the net realizable value of individual inventory. For inventories for immediate sale, net realizable value is determined as the estimated selling price of the inventories less the estimated costs of sales and relevant taxes and levies in the ordinary course of business. For inventories that require processing, net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies in the ordinary course of business. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realizable values are determined separately and compared with their respective costs to determine the amount of provision for impairment made or released.

4. Impairment of part of long-term assets

As stated in Impairment of part of long-term assets under note III to the Financial Statements, for long-term assets such as long-term equity investment, investment properties measured by the cost model, fixed assets, construction in progress and intangible assets with limited useful lives, the Company estimates its recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall conduct impairment test, irrespective of whether there is any indication of impairment. The Company conduct impairment test on goodwill together with the related asset group or asset group portfolio. If the result of the recoverable amount measurement indicates that the recoverable amount of such long-term assets is less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. That reduction is recognized as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the assets is recognized accordingly.

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IV. TAXATION**(I) Principle tax types and tax rates**

Tax types	Tax basis	Tax rate (%)
VAT	Sale of goods or rendering of taxable services	0, 13, 17
Business tax	Taxable turnover	5
Property tax	Ad-valorem tax levied at 1.2% on the difference between initial costs of the property less 30%; tax assessable on rent levied at 12% of the rental income.	1.2, 12
City maintenance and construction tax	Turnover tax payables	7
Education surcharge	Turnover tax payables	3
Local education surcharge	Turnover tax payables	2
EIT	Taxable profit	15, 20, 25

Information on income tax rates of taxpayers with various tax rates

Name of taxpayer	Income tax rate (%)
Xinjiang Tianye Water Saving Irrigation System Company Limited, Gansu Tianye Water Saving Device Co., Ltd*, Akesu Tianye Water Saving Co., Ltd*, Shihezi Tiancheng Water Saving Device Co., Ltd* and Kuitun Tiantun Water Saving Co, Ltd*	15
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	20
Other taxpayers other than the above-mentioned	25

(II) Tax concession**1. Value-added tax ("VAT")**

- (1) Income of the Company and its subsidiaries from sale of agricultural plastic films is exempted from value-added tax under the Notice of the Ministry of Finance and State Administration of Taxation on VAT Exemption Policy on Certain Materials for Agricultural Production (Cai Shui [2001] No. 113) issued by the Ministry of Finance and the State Administration of Taxation.

IV. TAXATION *(continued)*

(II) Tax concession *(continued)*

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

(1) *(continued)*

With effect from 1 July 2007, the Company and its subsidiaries have been exempted from VAT for the production, sale, wholesaling and retailing of belts and pipes products for drip irrigation under the requirements of the Notice on VAT Exemption for Belts and Pipes Products for Drip Irrigation (Cai Shui [2007] No. 83) issued by the Ministry of Finance and the State Administration of Taxation.

With effect from 1 January 2005, VAT has been levied at 13%, a tax rate applicable to agricultural mechanization, on water saving drip irrigation products produced and sold by the Company and drip irrigation products processed and assembled with devices, such as filters, main pipes, branch pipes, agricultural plastic films for drip irrigation and sprinkler heads, under the Notice 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) With effect from 20 April 2004, the agricultural plastic films produced and sold by Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (哈密天業紅星節水灌溉有限公司), a subsidiary, have been entitled to VAT exemption concession upon separate assessment from other taxable items under the Approval and Reply to Application for VAT Exemption from Hami Tianye Hongxing Water Saving Irrigation Co., Ltd (Ha Shi Guo Shui Han [2004] No. 95) issued by the Hami Municipal SAT Office.

Pursuant to the Approval and Reply on VAT Levied on Water Saving Drip Irrigation Devices Distributed by Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (Ha Shi Guo Shui Han [2004] No. 140) issued by the Hami Municipal SAT Office, as the water saving drip irrigation devices produced by the subsidiary Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* are processed and assembled with devices such as filters, main pipes, branch pipes, belts for drip irrigation and sprinkler heads, VAT has been levied at 13%, a tax rate applicable to agricultural mechanization with effect from 25 June 2004 pursuant to the requirements under (4) of clause 2 of Article 2 under the Provisional Regulations of the People’s Republic of China on Value-added Tax.

Notes to Financial Statements

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IV. TAXATION (continued)**(II) Tax concession** (continued)**1. Value-added tax (“VAT”)** (continued)

- (3) With effect from 1 April 2009, belts for drip irrigation produced and sold by Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司), a subsidiary have been exempted from VAT under the Notice on Registration and Filing for Tax Reduction and Exemption (Sha Guo Shui Jian Mian Bei Zi [2009] No. 058) issued by the Shawan County SAT Office.

With effect from 1 April 2009, plastic films sold by the subsidiary Tiancheng Water Saving have been exempted from VAT under the Notice on Registration and Filing for Tax Reduction and Exemption (Sha Guo Shui Jian Mian Bei Zi [2009] No. 059) issued by the Shawan County SAT Office.

- (4) Pursuant to Letter on Confirmation of The Principal Businesses 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), the businesses of agricultural plastic belts and pipes for drip irrigation engaged by the Company conform to the content set out in clause 6 “Development and Production of Agricultural Plastic Water Saving Products and Durable (Three Years and Above) Functional Agricultural Films” of Article 19 “Light Industry” under the “Encouraged Category” of Order No. 9 of the National Development and Reform Commission, “Catalogue for the Guidance of Industrial Restructuring (2011 version)”. According to 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), it is agreed that the Company would be exempted from city maintenance and construction tax, education surcharge and local education surcharge from 23 February 2012 under relevant requirements under the Notice on VAT Exemption for Belts and Pipes 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.

2. Enterprise Income Tax (“EIT”)

- (1) The Company was subjected to an EIT tax rate of 15.00% in 2015 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 2015 as it complied with the requirements of the tax concession policies of the Western Development.

IV. TAXATION (continued)**(II) Tax concession** (continued)**2. Enterprise Income Tax (“EIT”)** (continued)

- (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 2015 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 2015 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%.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**(I) Notes to items in the Consolidated Balance Sheet****1. Cash**

(1) Breakdown

Item	Closing balance	Opening balance
Cash on hand	210.98	410.13
Bank deposit	113,856,561.31	109,755,660.51
Other cash	5,552,790.66	132,398.72
Total	119,409,562.95	109,888,469.36
Including: total deposits placed overseas	119,409,562.95	109,888,469.36

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**1. Cash** (continued)

(2) Breakdown of other cash

Item	Closing balance	Opening balance
Futures cash deposits	833,509.65	
Investment in futures	4,444,281.01	132,398.72
Margin of engineering projects	275,000.00	
Sub-total	5,552,790.66	132,398.72

(3) Other information

The margin of the engineering projects of the Company amounting to RMB275,000.00 and futures cash deposits amounting to RMB833,509.65 were restricted cash.

2. Bills receivables

(1) Breakdown

Item	Closing balance			Opening balance		
	Book balance	Bad-debt provision	Carrying amount	Book balance	Bad-debt provision	Carrying amount
Bank acceptance bills	1,230,000.00		1,230,000.00	710,000.00		710,000.00
Total	1,230,000.00		1,230,000.00	710,000.00		710,000.00

(2) Information on bills receivables of the Company endorsed or discounted at the end of the period and had not yet fallen due as at the balance sheet date

Item	Amount derecognized at the end of the period	Amount remained recognized at the end of the period
Bank acceptance bills	17,418,199.90	
Sub-total	17,418,199.90	

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

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

2. Bills receivables *(continued)*

(2) Information on bills receivables of the Company endorsed or discounted at the end of the period and had not yet fallen due as at the balance sheet date *(continued)*

Bank acceptance bills' acceptor is a commercial bank, which has higher credit, and the bank acceptance bills are less unlikely to be paid upon maturity, so the Company will have endorsed or discounted bank acceptance bills derecognized. However, if such bills could not be paid upon maturity, in accordance with the Law of Negotiable Instruments, the Company shall also bear joint liability for the bill holders.

3. Receivables

(1) Breakdown

1) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Bad-debt provision		
			Amount	Percentage of provision (%)	
Bad debts that are individually significant and for which provision has been separately made					
Provision for bad debts with similar credit risk characteristics	98,656,250.20	100.00	8,725,312.61	8.84	89,930,937.59
Bad debts that are individually insignificant but for which provision has been separately made					
Total	98,656,250.20	100.00	8,725,312.61	8.84	89,930,937.59

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**3. Receivables** (continued)

(1) Breakdown (continued)

1) Breakdown by category (continued)

(continued from the previous table)

Category	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Bad-debt provision Amount	Percentage of provision (%)	
Bad debts that are individually significant and for which provision has been separately made					
Provision for bad debts with similar credit risk characteristics	109,535,877.17	100.00	7,797,887.83	7.12	101,737,989.34
Bad debts that are individually insignificant but for which provision has been separately made					
Total	109,535,877.17	100.00	7,797,887.83	7.12	101,737,989.34

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

Age	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year	29,443,296.79	294,432.97	1.00
1-2 years	3,088,594.01	1,544,297.01	50.00
2-3 years	507,302.93	507,302.93	100.00
3-4 years	2,180,881.02	2,180,881.02	100.00
4-5 years	2,497,752.12	2,497,752.12	100.00
Over 5 years	1,013,250.39	1,013,250.39	100.00
Sub-total	38,731,077.26	8,037,916.44	20.75

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**3. Receivables** (continued)

(1) Breakdown (continued)

3) Other receivables for which bad-debt provision has been made using individual assessment method

Name of entity	Book balance	Bad-debt provision	Percentage of provision (%)	Reason for provision
Amounts due from state land improvement project and governmental bidding project	59,925,172.94	687,396.17	1.15	Considering the credit risk characteristics of these amounts receivable, provision for bad debt shall be made by the method of individual identification in portfolio.
Sub-total	59,925,172.94	687,396.17	1.15	

The state land improvement project and governmental bidding project related to the loans are cooperative project between the Company and the government, and the payees are identical in nature and have similar risk features, therefore, provision for bad debt shall be made by the method of individual assessment in portfolio.

(2) Age analysis

Age	Closing balance	Opening balance
Within 1 year	52,534,678.40	60,209,226.02
1-2 years	16,678,811.27	17,418,307.09
2-3 years	8,060,753.04	13,112,178.96
3-4 years	3,713,618.09	6,017,420.61
4-5 years	5,812,157.09	3,845,489.99
Over 5 years	3,130,919.70	1,135,366.67
Total	89,930,937.59	101,737,989.34

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**3. Receivables** (continued)

(3) Information on bad-debt provision made, recovered or released during the period

Bad-debt provision made during the period amounted to RMB930,174.78, decreased by RMB2,750.00 due to changes in combination scope.

(4) Top 5 trade receivables

Name of entity	Percentage to trade receivables		Bad-debt provision
	Book balance	balance (%)	
Water Conservancy Construction Management Office of the Forth Agricultural Division	11,412,892.97	11.57	
Zhangye City Tianrun Water Saving Co, Ltd*	3,779,077.63	3.83	37,790.78
Water Bureau of Taigu County	3,019,672.29	3.06	
Liaoning Dongrun Seed Industry Co., Ltd.	3,000,000.00	3.04	
Kaiyuan Agricultural Technology Promotion Center	2,931,850.12	2.97	
Sub-total	24,143,493.01	24.47	37,790.78

4. Prepayments

(1) Age analysis

Age	Closing balance			Opening balance				
	Book balance	Percentage (%)	Bad debt provision	Carrying amount	Book balance	Percentage (%)	Bad-debt provision	Carrying amount
Within 1 year	23,848,751.76	96.59		23,848,751.76	16,291,710.12	95.66		16,291,710.12
1-2 years	487,562.19	1.97		487,562.19	406,806.42	2.39		406,806.42
2-3 years	152,662.82	0.62		152,662.82	172,852.16	1.01		172,852.16
Over 3 years	203,752.16	0.83		203,752.16	159,168.53	0.94		159,168.53
Total	24,692,728.93	100.00		24,692,728.93	17,030,537.23	100.00		17,030,537.23

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***4. Prepayments** *(continued)**(2) Top 5 prepayments*

Name of entity	Book balance	Percentage to trade receivables balance (%)
Water Conservancy Construction Management Office of Regiment 133	7,070,933.38	28.64
Northwest Chemicals Distribution Branch of PetroChina Company Limited	6,333,703.87	25.65
Chen Xin	3,268,000.40	13.23
Shenzhen Antai Yusheng Technology Co., Ltd.	1,267,950.00	5.13
Xinjiang Founder Chemical Co., Ltd.	1,163,550.00	4.71
Sub-total	19,104,137.65	77.37

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**5. Other receivables**

(1) Breakdown

1) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Bad-debt provision		
			Amount	Percentage of provision (%)	
Bad debts that are individually significant and for which provision has been separately made					
Provision for bad debts with similar credit risk characteristics	27,567,637.60	100.00	2,055,818.17	7.46	25,511,819.43
Bad debts that are individually insignificant but for which provision has been separately made					
Total	27,567,637.60	100.00	2,055,818.17	7.46	25,511,819.43

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

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

5. Other receivables *(continued)*

(1) Breakdown *(continued)*

1) Breakdown by category *(continued)*

(continued from the previous table)

Category	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Bad-debt provision Amount	Percentage of provision (%)	
Bad debts that are individually significant and for which provision has been separately made					
Provision for bad debts with similar credit risk characteristics	34,067,260.56	100.00	2,162,647.66	6.35	31,904,612.90
Bad debts that are individually insignificant but for which provision has been separately made					
Total	34,067,260.56	100.00	2,162,647.66	6.35	31,904,612.90

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**5. Other receivables** (continued)

(1) Breakdown (continued)

2) Other receivables for which bad-debt provision has been made in groups using the aging analysis method

Age	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year	7,634,720.05	76,347.21	1.00
1-2 years	1,705,316.80	852,658.40	50.00
2-3 years	101,779.07	101,779.07	100.00
3-4 years	100,000.00	100,000.00	100.00
4-5 years	347,203.69	347,203.69	100.00
Over 5 years	343,864.04	343,864.04	100.00
Sub-total	10,232,883.65	1,821,852.41	17.80

3) Other receivables for which bad-debt provision has been made using individual assessment method

Substance of other receivables	Book balance	Bad-debt provision	Percentage of provision (%)	Reason for provision
Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd*	14,996,171.60			Former subsidiary in liquidation
Fund borrowed in advance for construction materials for state-owned project	2,338,582.35	233,965.76	10.00	Bad-debt provision for the difference between the present value of its future cash flow and its carrying amount
Sub-total	17,334,753.95	233,965.76	1.35	

* Other receivables due from Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd. to the Company amounted to RMB14,996,171.60, it is in liquidation, and the result of which has not been finalized. According to the progress of the liquidation at the end of the period, the Company expects that the amount will be fully recoverable.

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

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

5. Other receivables *(continued)*

(2) Information on bad-debt provision made, recovered or released during the period

Bad-debt provision made during the period amounted to RMB-106,379.49, decreased by RMB450.00 due to changes in combination scope.

(3) Category of other receivables by nature

Nature	Closing balance	Opening balance
Security deposits	2,208,454.49	6,843,155.17
Project fee advanced to government	2,338,582.35	8,420,055.74
Provisional accounts receivables	23,020,600.76	16,641,401.99
Total	27,567,637.60	31,904,612.90

(4) Top 5 other receivables

Name of entity	Nature	Book balance	Age	Percentage in the balance of other receivables (%)	Bad-debt provision
Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd*	Current account	14,996,171.60	3-4 years	54.40	
Jinchang Municipal Water Conservancy Bureau	Performance Security	1,545,000.00	Within 1 year	5.60	15,450.00
Zhangwu Project Zone — HUANG Ming	Project fee advanced	760,029.84	Within 1 year	2.76	7,600.30
YIN JINSONG	Current account	648,957.64	Within 1 year	2.35	6,489.58
FUMENG Project Zone — MOU HONG JUN	Project fee advanced	564,287.30	Within 1 year	2.05	5,642.87
Sub-total		18,514,446.38		67.16	35,182.75

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**6. Inventories**

(1) Breakdown

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Sale of goods	48,413,733.36		48,413,733.36	48,413,733.36	14,636,586.58	14,636,586.58
Raw materials	205,822,715.41	367,029.93	205,455,685.48	241,130,687.85		241,130,687.85
Work-in-progress	8,556,607.97		8,556,607.97	18,134,569.75		18,134,569.75
Finished goods	306,205,214.83	8,138,361.09	298,066,853.74	301,200,080.29	2,169,835.55	299,030,244.74
Materials under subcontract processing	5,131,538.35		5,131,538.35	4,687,457.27		4,687,457.27
Materials turnover	77,534.16		77,534.16	98,279.53		98,279.53
Total	574,207,344.08	8,505,391.02	565,701,953.06	579,887,661.27	2,169,835.55	577,717,825.72

(2) Provision for impairment of inventories

1) Breakdown

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Write-back or write-off	Others	
Raw materials		367,029.93				367,029.93
Finished goods	2,169,835.55	6,005,632.56		37,107.02		8,138,361.09
Sub-total	2,169,835.55	6,372,662.49		37,107.02		8,505,391.02

2) Information on the specific basis for determination of the net realizable value, reasons for write-back or write-off provision for impairment of inventories during the period

Item	Basis for the provision for impairment of inventories	Reason for write-back of provision for impairment of inventories for the period	Percentage of the amount writtenback during the period to the closing balance of such inventories (%)
Finished goods	Net realizable value of inventories lower than carrying amount thereof	Applied in production or being sold	0.01

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***7. Others current assets***(1) Breakdown*

Item	Closing balance	Opening balance
Prepaid tax	2,296,120.01	900,224.40
Total	2,296,120.01	900,224.40

(2) Other information

The excess of EIT and VAT actually paid during the period over the sum of the opening amount due and the amount payable for the period was presented as prepayments in other current assets.

8. Long-term equity investments*(1) Breakdown by category*

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	5,190,830.27		5,190,830.27	5,190,830.27		5,190,830.27
Investment in joint ventures	2,801,090.14		2,801,090.14			
Total	7,991,920.41		7,991,920.41	5,190,830.27		5,190,830.27

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**8. Long-term equity investments** (continued)

(2) Breakdown

Investee	Increase or decrease during the period			Investment profit and loss recognized with the equity method	Adjustment of other consolidated return
	Opening balance	Increase	Decrease		
Subsidiaries					
Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd*	5,190,830.27				
Joint Venture					
Jianshui Runnong Water Supply Co., Ltd.		2,800,000.00		1,090.14	
Total	5,190,830.27	2,800,000.00		1,090.14	

Investee	Increase or decrease in during the period				Closing balance	Closing balance of provision for impairment
	Other changes in equity	Cash dividends or profit distribution declared	Provision for impairment	Others		
Subsidiaries						
Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd.					5,190,830.27	5,190,830.27
Joint Venture						
Jianshui Runnong Water Supply Co., Ltd.					2,801,090.14	
Total					7,991,920.41	5,190,830.27

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***8. Long-term equity investments** *(continued)*(3) *Information on investment in unlisted and listed companies*

Item	Closing balance	Opening balance
Investment in unlisted companies	2,801,090.14	
Total	2,801,090.14	

(4) *Other Information*

Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd made provision for impairment for its long-term equity investment during liquidation.

Jianshui Runnong Water Supply Co., Ltd. was incorporated by the Company, Yunnan Hydropower Investment Co., Ltd., Kunming Survey & Design Institute Co., Ltd. under China Power Construction Group and Southwest Jiaotong Construction Group Co., Ltd. on 2nd July, 2015. The Company holds 28.00% of the equity of Jianshui Runnong. Details of explanation are set out in Note "Interest in Other Entities".

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***9. Investment properties***(1) Breakdown*

Item	Buildings and Structures	Total
Initial carrying amount		
Opening balance	10,098,998.07	10,098,998.07
Increase during the period		
Decrease during the period		
Closing balance	10,098,998.07	10,098,998.07
Accumulated depreciation and amortization		
Opening balance	1,632,671.35	1,632,671.35
Increase during the period	330,573.53	330,573.53
1) Depreciation or amortization	330,573.53	330,573.53
Decrease during the period		
Closing balance	1,963,244.88	1,963,244.88
Provision for impairment		
Opening balance		
Increase during the period		
Decrease during the period		
Closing balance		
Carrying amount		
Carrying amount at the end of the period	8,135,753.19	8,135,753.19
Carrying amount at the beginning of the period	8,466,326.72	8,466,326.72

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**9. Investment properties** (continued)

(2) Other information

Such investment property has not obtained title certificate yet due to incompleteness of application procedures.

10. Fixed assets

(1) Breakdown

Item	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment and others	Total
Initial carrying amount					
Opening balance	88,504,877.05	293,579,878.97	5,774,420.94	8,286,847.57	396,146,024.53
Increase during the period	204,987.75	3,403,011.90	618,575.93	279,538.72	4,506,114.30
1) Additions	204,987.75	3,333,090.54	618,575.93	195,450.07	4,352,104.29
2) Transferred from construction-in-progress		69,921.36		82,672.65	152,594.01
3) Increase from business combination				1,416.00	1,416.00
Decrease during the period		13,344,450.57		12,804.45	13,357,255.02
1) Disposal or retirement		11,300.00		12,804.45	24,104.45
2) Transferred out from others		13,333,150.57			13,333,150.57
Closing balance	88,709,864.80	283,638,440.30	6,392,996.87	8,553,581.84	387,294,883.81
Accumulated depreciation					
Opening balance	19,386,949.49	193,520,524.84	3,726,941.33	3,546,067.28	220,180,482.94
Increase during the period	3,303,498.41	15,237,268.85	517,704.99	761,379.17	19,819,851.42
1) Impairment	3,303,498.41	15,237,268.85	517,704.99	761,379.17	19,819,851.42
Decrease during the period		8,191,749.42		8,217.50	8,199,966.92
1) Disposal or retirement		10,735.00		8,217.50	18,952.50
2) Transferred out from others		8,181,014.42			8,181,014.42
Closing balance	22,690,447.90	200,566,044.27	4,244,646.32	4,299,228.95	231,800,367.44
Provision for impairment					
Opening balance		178,087.60			178,087.60
Increase during the period					
Decrease during the period					
Closing balance		178,087.60			178,087.60
Carrying amount					
Carrying amount at the end of the period	66,019,416.90	82,894,308.43	2,148,350.55	4,254,352.89	155,316,428.77
Carrying amount at the beginning of the period	69,117,927.56	99,881,266.53	2,047,479.61	4,740,780.29	175,787,453.99

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**10. Fixed assets** (continued)(2) *Idled fixed assets*

Item	Initial carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Machinery and equipment	319,223.99	309,060.80		10,163.19	
Motor vehicles	79,844.76	77,449.42		2,395.34	
Sub-total	399,068.75	386,510.22		12,558.53	

(3) *Information on fixed assets in lack of title certificates*

Item	Carrying amount	Reason for not obtaining title certificate yet
Certain buildings and structures of the Company	5,413,100.24	To be handled once all data are made available
Certain buildings and structures of subsidiary Shihezi Tiancheng Water Saving Device Co, Ltd	693,195.83	To be handled once all data are made available
Sub-total	6,106,296.07	

(4) *Other Information*

Transferred out from others under fixed assets were mainly attributable to new R&D project equipment transferred to construction-in-progress due to transformation.

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

(I) Notes to items in the Consolidated Balance Sheet (continued)

11. Construction-in-progress

(1) Breakdown

Name of works	Closing balance		Opening balance	
	Book balance	Provision for impairment	Book balance	Provision for impairment
Anti-shock PVC-M pipes for water supply	2,455,672.95			
Innovative-approach application, promotion and demonstration projects	622,615.71			
R&D project of farmland drain desalination equipment – PVC Single-wall corrugated pipe	317,223.58			
Biaxial Direction Stretching PVC-O Item	239,318.17			
Splitting unit	420,940.17			
Drip Automation Platform Construction	621,034.36			
R&D project of surface water high-resistance block drip belt	7,906,434.30			
PVC drip irrigation belt project	3,244,669.21			
Production line of water-saving irrigation facilities	36,000.00			
Production of 100 sets of drip irrigation equipment	4,018,532.39		4,018,532.39	
Miscellaneous	2,015,193.20		1,835,580.41	
Total	21,897,634.04	21,897,634.04	5,854,112.80	4,018,532.39

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**11. Construction-in-progress** (continued)

(2) Changes in key construction-in-progress projects during the period

Name of works	Budget (RMB in ten thousand)	Opening balance	Increase during the period	Amount carried forward to fixed assets	Decrease in others	Closing balance
Anti-shock PVC-M pipes for water supply	335.00		2,455,672.95			2,455,672.95
Innovative-approach application, promotion and demonstration projects	160.00		622,615.71			622,615.71
R&D project of farmland drain desalination equipment – PVC Single-wall corrugated pipe	210.00		317,223.58			317,223.58
Biaxial Direction Stretching PVC-O Item	202.94		239,318.17			239,318.17
Splitting unit			420,940.17			420,940.17
Drip Automation Platform Construction	500.00		621,034.36			621,034.36
R&D project of surface water high-resistance block drip belt			7,906,434.30			7,906,434.30
PVC drip irrigation belt project			3,244,669.21			3,244,669.21
Production line of water-saving irrigation facilities			118,672.65	82,672.65		36,000.00
Production of 100 sets of drip irrigation equipment	2,000.00	4,018,532.39				4,018,532.39
Miscellaneous		1,835,580.41	644,741.80	69,921.36	395,207.65	2,015,193.20
Total		5,854,112.80	16,591,322.90	152,594.01	395,207.65	21,897,634.04

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

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

11. Construction-in-progress *(continued)*

(2) Changes in key construction-in-progress projects during the period *(continued)*

(continued from the previous table)

Name of works	Percentage of accumulated project investment to budget (%)	Project progress (%)	Accumulated capitalized interests	Capitalized interests for the period	Rate of interest capitalization for the period (%)	Source of capital
Anti-shock PVC-M pipes for water supply	73.30	73.30				Self-financed + policy appropriation
Innovative-approach application, promotion and demonstration projects	38.91	38.91				Self-financed + policy appropriation
R&D project of farmland drain desalination equipment – PVC Single-wall corrugated pipe	15.11	15.11				Self-financed + policy appropriation
Biaxial Direction Stretching PVC-O Item	11.79	11.79				Self-financed + policy appropriation
Splitting unit						Self-financed
Drip Automation Platform Construction	12.42	12.42				Self-financed + policy appropriation
R&D project of surface water high-resistance block drip belt						Self-financed + policy appropriation
PVC drip irrigation belt project						Self-financed + policy appropriation
Production line of water-saving irrigation facilities						Self-financed
Production of 100 sets of drip irrigation equipment	20.09	20.09				Self-financed
Miscellaneous						Self-financed
Total						

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**12. Intangible Assets**

(1) Breakdown

Item	Land use rights	Patent	Total
Initial carrying amount			
Opening balance	14,414,108.82	297,982.92	14,712,091.74
Increase during the period		1,198,584.00	1,198,584.00
1) Increase from business combination		1,198,584.00	1,198,584.00
Decrease during the period			
Closing balance	14,414,108.82	1,496,566.92	15,910,675.74
Accumulated depreciation			
Opening balance	2,167,795.38	4,966.38	2,172,761.76
Increase during the period	297,068.04	249,538.68	546,606.72
1) Impairment	297,068.04	249,538.68	546,606.72
Decrease during the period			
Closing balance	2,464,863.42	254,505.06	2,719,368.48
Provision for impairment			
Opening balance			
Increase during the period			
Decrease during the period			
Closing balance			
Carrying amount			
Carrying amount at the end of the period	11,949,245.40	1,242,061.86	13,191,307.26
Carrying amount at the beginning of the period	12,246,313.44	293,016.54	12,539,329.98

(2) Book value analysis of land use rights

Item	Closing balance	Opening balance
Beyond Hong Kong		
Medium-term lease (50 years)	11,949,245.40	12,246,313.44
Sub-total	11,949,245.40	12,246,313.44

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

(I) Notes to items in the Consolidated Balance Sheet (continued)

13. Long-Term Prepaid Expenses

Item	Opening balance	Increase during the period	Amortized during the period	Decrease in others	Closing balance
Lease and improvement of buildings	1,032,094.82	449,492.36	749,668.46		731,918.72
Utilities roof impermeable transformation		107,874.39	16,181.19		91,693.20
Amortization of plastic tray	364,530.19		188,978.88		175,551.31
Total	1,396,625.01	557,366.75	954,828.53		999,163.23

14. Deferred income tax assets

(1) Deferred income tax assets un-eliminated

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	8,749,226.34	1,317,719.92	8,440,658.85	1,267,148.09
Total	8,749,226.34	1,317,719.92	8,440,658.85	1,267,148.09

(2) Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Provision for asset impairment	13,850,395.16	6,895,982.40
Deductible losses	13,050,052.79	16,475,697.35
Financial liabilities held for trading	379,489.65	—
Sub-total	27,279,937.60	23,371,679.75

Deferred income tax assets are unrecognized for temporary differences as it is uncertain whether a provision for impairment of some assets can be utilized against EIT and loss-making subsidiaries are unsure whether sufficient taxable profit will be available for deduction.

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**14. Deferred income tax assets** (continued)

(3) Deductible losses that have not recognized for deferred income tax assets will expire in the years as set out below

Year	Closing balance	Opening balance
2015		7,897,606.46
2016	2,226,529.67	2,226,529.67
2017	1,494,378.74	1,494,378.74
2018	2,959,911.09	2,959,911.09
2019	1,897,271.39	1,897,271.39
2020	4,471,961.90	
Sub-total	13,050,052.79	16,475,697.35

15. Other non-current assets

Item	Closing balance	Opening balance
Prepayments for investment		500,000.00
Total		500,000.00

16. Financial liabilities to be measured on their fair value, change of which shall be incorporated into current profit and loss

Item	Closing balance	Opening balance
Transaction financial liabilities Including: Derivative financial liabilities	379,489.65	
Total	379,489.65	

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

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

17. Trade payables

(1) Breakdown

Item	Closing balance	Opening balance
Sale of goods	207,271,589.42	217,105,852.37
Project Funds	1,977,973.89	
Total	209,249,563.31	217,105,852.37

(2) Age analysis

Age	Closing balance	Opening balance
Within 1 year	177,967,071.78	190,806,438.28
1-2 years	16,205,924.29	15,129,488.69
2-3 years	5,566,375.25	5,049,255.53
Over 3 years	9,510,191.99	6,120,669.87
Total	209,249,563.31	217,105,852.37

(3) Significant trade payables aged over 1 year

Item	Amount	Reason for overdue
Provisional estimate for raw materials	15,933,133.47	Pending for completion of settlement procedures due to large business volume and quality problem in product
Beijing Tianye International Agricultural Engineering and Technology Co Ltd*	5,795,627.24	Pending for completion of settlement procedures due to large business volume
Sub-total	21,728,760.71	

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***18. Receipts in advance***(1) Breakdown*

Item	Closing balance	Opening balance
Receipts in advance for sale of goods	66,392,456.70	52,138,574.78
Total	66,392,456.70	52,138,574.78

(2) Significant receipts in advance aged over 1 year

Item	Closing balance	Reason for overdue or carry-over
Zimbabwe Project — Yang Wansen	1,355,000.00	Payment for construction materials pending settlement due to long construction period
Agriculture Department of Xinjiang Uygur Autonomous Region	4,765,000.00	Payment for construction materials pending settlement due to long construction period
WANG QIAN	1,882,330.00	Payment for construction materials pending settlement due to long construction period
Sub-total	8,002,330.00	

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**19. Employee remuneration payables**

(1) Breakdown

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	4,802,612.08	79,299,655.79	78,009,539.22	6,092,728.65
Post-employment benefit — Defined contribution scheme	1,359,004.84	14,382,240.37	15,244,091.92	497,153.29
Total	6,161,616.92	93,681,896.16	93,253,631.14	6,589,881.94

(2) Breakdown of short-term remuneration

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus, allowance and subsidy	1,152,053.22	68,673,849.22	67,894,483.94	1,931,418.50
Employee benefits	8,328.64	1,438,715.10	1,447,043.74	8,528.73
Social security insurance	11,725.30	4,118,377.01	4,121,573.58	8,528.73
Including:				
Medical insurance contributions	8,087.20	3,402,332.34	3,403,977.73	6,441.81
Work injury insurance contributions	1,657.42	355,962.95	356,070.37	1,550.00
Maternity insurance contributions	1,980.68	360,081.72	361,525.48	536.92
Housing provident fund		3,889,714.34	3,857,712.34	32,002.00
Union and education funds	3,630,504.92	1,179,000.12	688,725.62	4,120,779.42
Sub-total	4,802,612.08	79,299,655.79	78,009,539.22	6,092,728.65

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**19. Employee remuneration payables** (continued)

(3) Breakdown of defined contribution schemes

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic endowment insurance contributions	18,635.06	7,670,018.98	7,667,181.34	21,472.70
Unemployment insurance contributions	8,734.84	608,244.17	615,041.51	1,937.50
Enterprise annuity	1,331,634.94	6,103,977.22	6,961,869.07	473,743.09
Sub-total	1,359,004.84	14,382,240.37	15,244,091.92	497,153.29

In accordance with the Labor Law of the People's Republic of China and the provisions under relevant laws and regulations, the Company and its subsidiaries contributed basic endowment insurance premium for their employees, and till reaching the retirement age prescribed by the State or quitting from their job position for any other reason, they will be paid old-age pension by the social insurance handling agency. The Company and its subsidiaries will not assume any liabilities for any other employee retirement benefits.

According to the Enterprise Annuity Scheme of Xinjiang Tianye (Group) Limited, the Company and its subsidiaries shall pay enterprise annuity for their employees, who are set to receive the accumulated amount on their individual accounts (including principal and investment income) in a lump sum once they retire or otherwise become unemployed.

20. Tax and levy payables

Item	Closing balance	Opening balance
VAT	2,542,365.99	4,877,000.79
Business tax		15,000.00
EIT	2,691.44	558,264.93
Individual income tax	25,198.20	48,072.05
City maintenance and construction tax	154,023.67	262,916.19
Property tax		36,000.00
Education surcharge	66,010.14	185,297.27
Stamp duty	61,991.50	56,601.97
Others	41,506.76	12,411.12
Total	2,893,787.70	6,051,564.32

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

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

21. Other payables

(1) Breakdown

Item	Closing balance	Opening balance
Security deposits	150,182.00	156,988.88
Fund of agent for charging and paying	5,177,172.95	2,715,977.31
Current account	9,056,182.28	18,434,105.55
Others	6,400.00	204,844.65
Total	14,389,937.23	21,511,916.39

(2) Significant other payables aged over 1 year

Item	Closing balance	Reason for overdue or carry forward
The Marketing Management Center of XINJIANG TIANYE Co., Ltd.	1,785,675.00	Advance money
Construction fee of Shache county 2000 mu drip irrigation works — JIANG ZHIYONG	2,468,431.46	Advance disbursement of payment for project construction, this Project has not been completed and the fund is unsettled.
Sub-total	4,254,106.46	

Notes to Financial Statements

2015

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***22. Deferred income***(1) Breakdown*

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Water saving irrigation technology products industrialization promotion project	10,928,621.82		1,200,000.00	9,728,621.82	Government grants
Total	10,928,621.82		1,200,000.00	9,728,621.82	

(2) Breakdown of government grants

Item	Opening balance	Amount of new grants for the period	Amount included in non-operation revenue for the period	Other movements	Closing balance	Relating to assets/ relating to income
Water saving irrigation technology products industrialization promotion project	10,928,621.82		1,200,000.00		9,728,621.82	Relating to assets
Sub-total	10,928,621.82		1,200,000.00		9,728,621.82	

(3) Other information

According to the “Notice on Special funds for Transformation of Scientific and Technological Results (Shi Cai Jian (2010) No. 89)” issued by the Finance Bureau of XPCC Eighth Agricultural Division, the Company obtained RMB12,000,000 of special funds from the Division for the transformation of significant scientific and technological results to the industrialization promotion of water saving irrigation technology products. The Company has included such funds in deferred income and allocated evenly over the useful life of the assets. It was accounted for under “non-operating income-government grants” by installment.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**23. Share capital**

Item	Opening balance	Changes (+/-) (decrease is denoted as “-”)		Sub-total	Closing balance
		New shares issuance	Capitalization of capital reserve to shares and others		
Restricted shares	317,121,560.00				317,121,560.00
Domestic shares held by legal persons	317,121,560.00				317,121,560.00
Domestic shares held by natural persons					
Non-restricted shares	202,400,000.00				202,400,000.00
H-shares	202,400,000.00				202,400,000.00
Total	519,521,560.00				519,521,560.00

24. Capital reserve

(1) Breakdown

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

25. Surplus reserves

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	29,390,808.07			29,390,808.07
Discretionary surplus reserve	5,333,289.20			5,333,289.20
Total	34,724,097.27			34,724,097.27

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(I) Notes to items in the Consolidated Balance Sheet** (continued)**26. Undistributed profit**

Item	Amount in current period	Corresponding period last year
Closing balance of undistributed profits for the prior period before adjustment	147,865,043.54	145,785,516.13
Adjustment to opening balance of total undistributed profits (increase "+", decrease "-")		
Opening balance of undistributed profits after adjustment	147,865,043.54	145,785,516.13
Add: provision for assets impairment net profits attributable to owners of the Parent Company for the current period	-6,793,864.99	2,079,527.41
Less: transferred to statutory surplus reserve		
Closing balance of undistributed profits	141,071,178.55	147,865,043.54

(II) Notes to items in the Consolidated Statement of Income**1. Operating income/operating cost**

(1) Breakdown

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Principal businesses	651,833,305.69	594,338,805.53	695,374,304.36	627,994,364.73
Other businesses	15,614,927.52	14,299,765.70	5,438,057.11	3,584,194.76
Total	667,448,233.21	608,638,571.23	700,812,361.47	631,578,559.49

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

(II) Notes to items in the Consolidated Statement of Income *(continued)*

1. Operating income/operating cost *(continued)*

(2) Operating income/operating cost from principal businesses (by product)

Product breakdown	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Drip tapes and drip assemblies	292,960,630.34	279,790,530.49	379,222,561.37	360,097,558.97
PVC pipes/PE pipes	330,634,587.19	282,060,766.93	302,211,512.51	256,805,637.79
Project income	28,238,088.16	32,487,508.11	13,940,230.48	11,091,167.97
Sub-total	651,833,305.69	594,338,805.53	695,374,304.36	627,994,364.73

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

Name of region	Current period	Corresponding period last year
Xinjiang	500,685,591.11	505,821,461.20
PRC excluding Xinjiang	151,147,714.58	189,552,843.16
Sub-total	651,833,305.69	695,374,304.36

2. Business taxes and surcharges

Item	Current period	Corresponding period last year
Business tax	409,624.67	771,236.28
City maintenance and construction tax	945,451.46	1,329,792.58
Education surcharge	406,604.36	574,626.16
Local education surcharge	271,069.60	383,084.07
Others		317,555.83
Total	2,032,750.09	3,376,294.92

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(II) Notes to items in the Consolidated Statement of Income** (continued)**3. Distribution costs**

Item	Current period	Corresponding period last year
Salaries benefits and social security contributions	15,572,880.75	18,629,960.21
Transportation costs	11,684,194.63	9,171,512.92
Sale service fee	3,786,107.86	969,821.43
Warehousing and storage fees	2,153,946.40	1,252,583.67
Tender fee	1,648,092.94	792,250.49
Travel expenses	1,632,654.46	2,124,658.55
Depreciations	1,217,378.75	742,386.15
Construction cost	826,139.82	1,244,748.93
Car expenses	526,773.28	626,391.16
Others	2,623,984.78	2,633,487.94
Total	41,672,153.67	38,187,801.45

4. Administrative expenses

(1) Breakdown

Item	Current period	Corresponding period last year
Salaries benefits and social security contributions	15,760,725.12	14,693,705.44
Agency service fees	1,670,228.16	1,593,586.41
Losses from work suspension	1,512,188.87	263,307.32
Taxes and levies	1,228,763.63	1,228,819.83
Depreciation and amortization charges	902,361.50	770,458.31
Technology development fee	679,971.78	6,555.11
Car expenses	673,544.57	763,690.90
Travel expenses	568,258.80	574,977.10
Entertainment fees	225,741.90	310,335.50
Others	2,070,173.70	2,542,214.62
Total	25,291,958.03	22,747,650.54

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Notes to items in the Consolidated Statement of Income** *(continued)***4. Administrative expenses** *(continued)*

(2) Included in the administrative expenses for the year was RMB0.65 million of auditor's remuneration (2014: RMB0.65 million).

5. Finance costs

Item	Current period	Corresponding period last year
Interest expenses		
Including: Bank loans, overdrafts and interest of other loans fully repayable within 5 years		
Interest of other loans not fully repayable within 5 years		
Less: Interest income	381,480.74	340,701.48
Add: Exchange loss	-1,024.09	453.56
Add: Commission and other expenses	127,231.86	68,750.16
Total	-255,272.97	-271,497.76

6. Assets impairment loss

Item	Current period	Corresponding period last year
Bad debt loss	823,795.29	1,844,103.51
Inventory impairment loss	6,372,662.49	1,438,179.75
Total	7,196,457.78	3,282,283.26

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Notes to items in the Consolidated Statement of Income** *(continued)***7. Gain on change of fair value**

Item	Current period	Corresponding period last year
Financial liabilities at FVTPL for the current period Including: Gain on change of fair value arising from derivative financial instruments	-379,489.65	
Total	-379,489.65	

8. Investment income*(1) Breakdown*

Item	Current period	Corresponding period last year
Return on long-term equity investment accounted with the equity method	1,090.14	
Investment income from disposal of long- term equity investment	22,785.22	
Return on investment obtained from disposition of transactional financial assets	5,445,391.94	
Misc. — Financial Product	68,383.63	
Total	5,537,650.93	

(2) Information on investment income from investment to unlisted company and investment to listed company

Item	Current period	Corresponding period last year
Investment income from investment to unlisted company	1,090.14	
Sub-total	1,090.14	

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

(II) Notes to items in the Consolidated Statement of Income *(continued)*

9. Non-operating profits

(1) Breakdown

Item	Current period	Corresponding period last year	Amount recognized in non-recurring profit or loss for the current period Non-recurring profit or loss
Total gain on disposal of non-current assets	415.58	69,077.75	415.58
Including: Gain from disposition of fixed assets	415.58	69,077.75	415.58
Government grants	1,469,700.00	1,122,878.18	1,469,700.00
Fines and forfeitures income	75,667.54	15,100.00	75,667.54
Amounts not payable	4,491,169.90	949,219.37	4,491,169.90
Others	162,418.92	204,356.00	162,418.92
Total	6,199,371.94	2,360,631.30	6,199,371.94

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(II) Notes to items in the Consolidated Statement of Income** (continued)**9. Non-operating profits** (continued)

(2) Breakdown of government grants

Subsidized item	Current period	Corresponding period last year	Relating to assets/ relating to income
Water saving irrigation technology products industrialization promotion project amortization of deferred income	1,200,000.00	1,071,378.18	Relating to assets
XINJIANG Corps' Featured Comprehensive Manufacturing Information-oriented integration application demonstration	80,000.00		Relating to income
Capital for international market expansion of the Corps' SMEs	189,700.00		Relating to income
Special subsidy for highstrength plastic films		50,000.00	Relating to income
Patent subvention		1,500.00	Relating to income
Sub-total	1,469,700.00	1,122,878.18	

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

(II) Notes to items in the Consolidated Statement of Income *(continued)*

10. Non-operating expenses

Item	Current period	Corresponding period last year	Amount recognized in non-recurring profit or loss for the current period
Loss from disposal of non-current assets	994.90	159,058.56	994.90
Including: loss from disposal of fixed assets	994.90	159,058.56	994.90
Donation	5,000.00		5,000.00
Fines expenses	232,939.60	184,355.64	232,939.60
Liquidated damages	252,476.25	13,000.00	252,476.25
Others	10,150.60	3,788.99	10,150.60
Total	501,561.35	360,203.19	501,561.35

11. Income tax charges

(1) Breakdown

Item	Current period	Corresponding period last year
Current income tax charges	1,272,899.74	2,759,802.34
Deferred income tax charges	-51,121.83	-298,582.32
Total	1,221,777.91	2,461,220.02

Notes to Financial Statements

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Notes to items in the Consolidated Statement of Income** *(continued)***11. Income tax charges** *(continued)**(2) Reconciliation between accounting profits and income tax expenses*

Item	Current period	Corresponding period last year
Total profits	-6,272,412.75	3,911,697.68
Income tax charges at the tax rate of 15% applicable to Parent Company	-940,861.91	586,754.65
Effect of different tax rates adopted by subsidiaries (5% and 10%)	-67,922.80	-63,951.31
Tax effect of expenses not deductible	67,349.01	433,103.69
Effect of deductible temporary differences that have not recognized for deferred income tax asset during the prior period	-232,055.76	-2,541.38
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax asset during the period (Note)	1,977,047.41	527,649.86
Effect of prior period income tax adjustment	418,221.96	980,204.51
Total	1,221,777.91	2,461,220.02

Note: The impact of deferred income tax assets is unrecognized for deductible temporary differences mainly because the subsidiaries suffering losses for the period are unsure whether sufficient taxable profit will be available.

- (3) No profits tax in Hong Kong was levied because the Company and its subsidiaries did not generate profits in Hong Kong or gain profits from Hong Kong in 2015 and 2014.

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

(III) Notes to items in the Consolidated Cash Flows Statement

1. Other cash received relating to operating activities

Item	Current period	Corresponding period last year
Interest income	381,325.45	340,701.48
Deposit received and refund	300,000.00	1,123,717.52
Government grants received	269,700.00	1,500.00
Current account and petty cash	4,063,203.87	8,038,936.41
Total	5,014,229.32	9,504,855.41

2. Other cash paid relating to operating activities

Item	Current period	Corresponding period last year
Cost of sales paid	24,881,894.17	22,010,564.14
Administrative expenses paid	5,836,895.05	6,070,166.96
Finance costs paid	127,231.86	68,750.16
Current account paid	5,094,848.01	11,434,649.22
Total	35,940,869.09	39,584,130.48

3. Other cash received relating to operating activities

Item	Current period	Corresponding period last year
Recovery of bank financial product	40,000,000.00	
Total	40,000,000.00	

Notes to Financial Statements

2015

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(III) Notes to items in the Consolidated Cash Flows Statement** *(continued)***4. Other cash received relating to investing activities**

Item	Current period	Corresponding period last year
Disposition of Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd., a subsidiary	1,469,441.05	
Purchase bank financial product	40,000,000.00	
Total	41,469,441.05	

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

(III) Notes to items in the Consolidated Cash Flows Statement *(continued)*

5. Supplemental information to Cash Flows Statement

(1) Supplemental information to Cash Flows Statement

Further information	Current period	Corresponding period last year
1) Adjusting net profit to cash flow for operating activities:		
Net profits	-7,494,190.66	1,450,477.66
Add: provision for assets impairment Provision for asset impairment	7,196,457.78	3,282,283.26
Fixed asset depreciation, oil/gas asset depreciation and productive biological asset	20,150,424.95	19,646,894.78
amortization of intangible assets	546,606.72	302,032.93
amortization of long-term prepaid expenses	954,828.53	347,063.94
loss on disposal of fixed, intangible and other longterm assets (gain is denoted as “-”)	-22,205.90	89,980.81
loss on retirement of fixed assets (gain is denoted as “-”)		
loss on changes in fair value (gain is denoted as “-”)	379,489.65	
finance cost (gain is denoted as “-”)	-1,024.09	
investment loss (gain is denoted as “-”)	-5,513,775.57	
decrease in deferred income tax assets (increase is denoted as “-”)	-51,121.83	-278,823.06
increase in deferred income tax liabilities (decrease is denoted as “-”)		
decrease in inventories (increase is denoted as “-”)	5,680,317.19	6,509,249.04
decrease in operating receivables (increase is denoted as “-”)	9,197,058.23	-26,083,226.75
increase in operating payables (decrease is denoted as “-”)	-7,620,010.72	7,707,452.72
Others		
net cash flow generated from operating activities	23,402,854.28	12,973,385.33
2) Material investing and financing activities without cash payment or receipt:		
Conversion of debt to capital		
Convertible corporate bonds due within 1 year		
Fixed assets under finance leases		
3) Net change in cash and cash equivalents:		
Closing cash balance	118,301,053.30	109,888,469.36
Less: Opening cash balance	109,888,469.36	99,142,903.73
Add: provision for assets impairment closing cash equivalents balance		
Less: opening cash equivalents balance		
Net increase in cash and cash equivalents	8,412,583.94	10,745,565.63

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V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**(III) Notes to items in the Consolidated Cash Flows Statement** (continued)**5. Supplemental information to Cash Flows Statement** (continued)(2) *Net cash of the current period received from disposal of subsidiaries*

Item	Current period
cash and cash equivalents received from disposal of subsidiaries in the current period	951,908.75
Including: Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd., a subsidiary	951,908.75
Less: cash and cash equivalents held by subsidiaries on the date of loss of control	2,421,349.80
Including: Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd., a subsidiary	2,421,349.80
Net cash received from disposal of subsidiaries	-1,469,441.05

(3) *Composition of cash and cash equivalents*

Item	Closing balance	Opening balance
1) Cash		109,888,469.36
Including: Cash on hand	210.98	410.13
Bank deposits readily available for payment	113,856,561.31	109,755,660.51
Other cash readily available for payment	4,444,281.01	132,398.72
Central bank deposits available for payment		
Deposits in players in the same industry		
Lending to players in the same industry		
2) Cash equivalents		
Including: bond investment due within 3 months		
3) Closing balance of cash and cash equivalents	118,301,053.30	109,888,469.36
Including: restricted cash and cash equivalents of Parent Company or subsidiaries within the Group		

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(III) Notes to items in the Consolidated Cash Flows Statement** *(continued)***5. Supplemental information to Cash Flows Statement** *(continued)*

(4) *transferred amount of bank bill endorsement not related to cash payment and receipt*

Item	Current period	Amount of prior period
Amount of bank acceptance bill endorsed transfer	17,418,199.90	28,102,776.00
Including: Payment of goods	17,418,199.90	28,102,776.00

(IV) Others**1. Assets with Ownership or Use Right restricted**

Item	Closing book value	Reason for Restriction
Cash	1,108,509.65	Margin for Engineering Project and Futures Cash deposit
Total	1,108,509.65	

2. Monetary assets in foreign currency

Item	Closing balance in foreign currency	Conversion rate	Closing balance converted to RMB
Cash			
Hong Kong Dollar	382,950.41	0.83778	320,828.19

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VI. MODIFICATION OF CONSOLIDATION SCOPE

(I) Business Combination under Non-common Control

1. Business combination under non-common control during the current period

(1) Basic information

Name of acquiree	Time point of equity acquiring	Cost of equity acquiring	Percentage of equity acquiring (%)	Way of equity acquiring
Gansu Tianye Water Resources and Hydropower Engineering Co., Ltd.	February 1, 2015	1,200,000.00	100.00	Acquisition under non-common control

Name of acquiree	Acquiring date	Determination basis of acquiring date	Revenue from acquiring date to the end of the period of the acquiree	Net profits of the acquiree from acquiring date to the end of the period
Gansu Tianye Water Resources and Hydropower Engineering Co., Ltd.	February 1, 2015	Business combination contract or agreement had been passed by the Board; necessary property rights transfer formalities had been gone through by relevant parties of the combination; the acquirer had paid most of the acquisition price; the acquirer had in fact controlled the financial and operation policies of the acquiree and enjoyed corresponding revenue and risks.	24,320.00	-102,786.13

VI. MODIFICATION OF CONSOLIDATION SCOPE *(continued)***(I) Business Combination under Non-common Control** *(continued)***1. Business combination under non-common control during the current period***(continued)**(2) Other information*

According to the Equity Transfer Supplementary Agreement signed between Gansu Tianye Water Saving Co., Ltd. as one party and Ning Lina and Guo Yi as the other party in October 2014, Gansu Tianye Water Saving Device Co., Ltd acquired 90.00% of the equity of Gansu Tianye Water Resources and Hydropower Engineering Co., Ltd. held by Ning Lina and 10.00% of the equity of Gansu Tianye Water Resources and Hydropower Engineering Co., Ltd. held by Guo Yi with RMB1.2 million. It has been under control since 1 February, 2015. it had been included in the consolidated financial statements since February 2015.

2. Merge cost and goodwill

Item	Gansu Tianye Water Resources and and Hydropower Engineering Co., Ltd.
Merge cost	
Cash	1,200,000.00
Total cost of the merge	1,200,000.00
Less: Fair value shares of the acquired identifiable net assets	1,200,000.00
<hr/>	
Amount of goodwill/merger cost less than the fair value shares of the acquired identifiable net assets	

(1) Determination of fair value of identifiable assets and liabilities

Appropriate adjustments shall be made based on the valuation set out in the Tongzhixinde Appraisal Report (2016) No. 005 issued by Tongzhixinde (Beijing) Assets Appraisal Co., Ltd.

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VI. MODIFICATION OF CONSOLIDATION SCOPE *(continued)***(I) Business Combination under Non-common Control** *(continued)***3. Identifiable assets and liabilities of the acquiree on the acquiring date***(1) Breakdown*

Item	Gansu Tianye Water Resources and Hydropower Engineering Co., Ltd.	
	Fair value on the acquiring date	Book value on the acquiring date
Assets		
Fixed assets	1,416.00	1,416.00
Intangible assets	1,198,584.00	
Net assets	1,200,000.00	1,416.00
Less: Minority interest		
The acquired net assets	1,200,000.00	1,416.00

(II) Consolidation scope modification caused by other reasons*Decrease of consolidation scope*

Company Name	Equity disposal method	Time point of equity disposal	Net assets on the disposal date	Net profits from the beginning of the period to the disposal date
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd.	Liquidation	July 16, 2015	3,004,066.83	-5,649.23

VI. MODIFICATION OF CONSOLIDATION SCOPE *(continued)*

(II) Consolidation scope modification caused by other reasons *(continued)*

Decrease of consolidation scope (continued)

As of 16 July, 2015, the Company had invested RMB1,530,000.00 in Beijing Runhua Tianye Water Saving Irrigation Technology Co., Ltd. and other accounts payable were RMB578,912.54. There are no other creditor's rights or debts except these. No extra loss will be generated on the part of the Company due to liquidation of the subsidiary.

VII. INTEREST IN OTHER ENTITIES

(I) Interest in important subsidiaries

1. Important subsidiaries

Name of subsidiary	Place of principal operation	Place of registration	Nature of business	Shareholding percentage (%)		Way of acquisition
				Direct	Indirect	
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	Hami City, Xinjiang	Hami City, Xinjiang	Manufacturing	60.00		Establishment
Kuitun Tiantun Water Saving Co, Ltd*	Kuitun City, Xinjiang	Kuitun City, Xinjiang	Manufacturing	100.00		Establishment
Akesu Tianye Water Saving Co., Ltd*	Akesu City, Xinjiang	Akesu City, Xinjiang	Manufacturing	100.00		Establishment
Shihezi Tiancheng Water Saving Device Co, Ltd	Shihezi City, Xinjiang	Shihezi City, Xinjiang	Manufacturing	60.00		Establishment
Liaoning Tianye Water Saving Irrigation Co, Ltd*	Tieling City, Liaoning	Tieling City, Liaoning	Manufacturing	100.00		Establishment
Shihezi Tianye Material Recycling Co, Ltd*	Shihezi City, Xinjiang	Shihezi City, Xinjiang	Manufacturing	98.00		Business combination under common control
Gansu Tianye Water Saving Device Co, Ltd*	Zhangye City, Gansu	Zhangye City, Gansu	Manufacturing	100.00		Business combination under common control
Gansu Tianye Water Resources and Hydropower Engineering Co., Ltd.	Zhangye City, Gansu	Zhangye City, Gansu	Manufacturing	100.00		Business Combination under Non-common Control

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VII. INTEREST IN OTHER ENTITIES (continued)**(I) Interest in important subsidiaries** (continued)**2. Important non-wholly-owned subsidiaries**

Name of subsidiary	Shareholding percentage of minority interest	Profit or loss attributable to minority interest for the period	Distribution of dividend declared to minority interest for the period	Closing balance of minority interest
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	40.00%	-510,040.29		5,000,532.42

3. Key financial information of the important non-wholly-owned subsidiaries*(1) Information on assets and liabilities*

Name of subsidiary	Current assets	Non-current assets	Closing balance			Total liabilities
			Total Assets	Current liabilities	Non-current liabilities	
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	18,520,437.29	3,835,304.69	22,355,741.98	9,854,410.93		9,854,410.93

(continued from the previous table)

Name of subsidiary	Current assets	Non-current assets	Opening balance			Total liabilities
			Total Assets	Current liabilities	Non-current liabilities	
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	15,882,880.37	4,533,362.13	20,416,242.50	6,639,810.72		6,689,810.72

VII. INTEREST IN OTHER ENTITIES (continued)

(I) Interest in important subsidiaries (continued)

3. Key financial information of the important non-wholly-owned subsidiaries

(continued)

(2) Information on profit or loss and cash flows

Name of subsidiary	Current period			Cash flow from activities
	Operating income	Net profits	Total comprehensive income	
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	6,535,533.53	-1,275,100.73		2,681,131.85

(continued)

Name of subsidiary	Corresponding period last year			Cash flow from activities
	Operating income	Net profits	Total comprehensive income	
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	10,252,976.57	-1,666,694.46		-690,482.23

(II) Interest in the associates

1. Key associates

(1) Basic information

Name of associate	Place of principal operation	Place of registration	Nature of business	Shareholding percentage (%)		Accounting treatment method on investment in joint ventures
				Direct	Indirect	
Jianshui Runnong Water Supply Co., Ltd.	Honghe Hani Yi Autonomous Prefecture, Yunnan Province	Honghe Hani Yi Autonomous Prefecture, Yunnan Province	Manufacturing	28.00		Accounting by the equity method

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VII. INTEREST IN OTHER ENTITIES (continued)**(II) Interest in the associates** (continued)**2. Key financial information of the important associates**

Item	Closing balance/ Current period Jianshui Runnong Water Supply Co., Ltd.	Opening balance/ Corresponding period last year Jianshui Runnong Water Supply Co., Ltd.
Current assets	3,290,864.04	
Non-current assets	16,671,267.80	
Total Assets	19,962,131.84	
Current liabilities	-41,761.50	
Non-current liabilities	10,000,000.00	
Total liabilities	9,958,238.50	
Minority interest		
Owners' equity attributable to the Company	10,003,893.34	
Net assets calculated pro rata in shareholding	2,801,090.14	
Adjusting events		
Goodwill		
Unrealized profit from internal transactions		
Others		
Carrying amount of investment in associates	2,801,090.14	
Fair value of investment in associates with public offer		
Operating income		
Net profits	3,966.59	
Net profit for termination of business		
Other comprehensive income		
Total comprehensive income	3,966.59	
Dividend from associates for the period		

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Company manages its risks with the objectives of balancing risks and return, minimizing the adverse effect of risks on the Company's operating results, and maximizing the benefits to shareholders and other equity owners. Based on such risk management objectives, the basic risk management strategies of the Company are to identify and analyze various risks the Company being exposed to, establish suitable risk tolerance limits and control the risks within a limited extent by monitoring them in a timely and reliable manner.

The financial instruments of the Company are primarily subjected to credit risk, liquidity risk and market risk in daily activities. The management has reviewed and approved the policies to manage these risks, a summary of which is set out as below:

(I) Credit Risk

Credit risk refers to the risk of financial loss incurred by a party of the financial instrument arising from the non-performance of the other party.

The credit risk of the Company is primarily from bank deposit and receivables. The Company has adopted the following measures to control such risk.

1. Bank deposit

The Company will deposit its money with high-credit financial institutions, so its credit risk is very low.

2. Receivables

The company will regularly assess the credit of customers transacting in the method of credit. Based on the credit evaluation result, the Company only enters into transaction with recognized customers with good credit worthiness and adopts monitoring and control on the balance of the trade receivables, so as to ensure that the Company will not be exposed to significant bad debt risk.

As the Company's risk in respect of trade receivables are distributed among a large number of counterparties and customers, as of 31 December 2015, 24.47% (31 December 2014: 21.22%) of the Company's receivables were derived from the five largest customers, and the Company did not has material concentrated credit risk.

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VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (continued)**(I) Credit Risk** (continued)**3. Other receivables**

Other receivables of the Company comprise mainly of (among others) project payment advanced to the government and security deposits, the Company collectively manages these amount and relevant economic activities and monitor continuously, with a view to ensure that the Company is not exposed to significant bad debt risk.

- (1) *The Company's receivables that are neither overdue nor impaired and the age analysis of financial assets that are overdue but not impaired are set out as below:*

Item	Neither overdue nor impaired	Closing balance			Total
		Overdue but impaired			
		Within 1 year	1-2 Years	Over 2 years	
Bills receivables	1,230,000.00				1,230,000.00
Receivables	59,237,776.77				59,237,776.77
Other receivables	17,100,788.19				17,100,788.19
Sub-total	77,568,564.96				77,568,564.96

(continued from the previous table)

Item	Neither overdue nor impaired	Opening balance			Total
		Overdue but not impaired			
		Within 1 year	1-2 Years	Over 2 years	
Bills receivables	710,000.00				710,000.00
Receivables	77,565,041.22				77,565,041.22
Other receivables	23,416,227.34				23,416,227.34
Sub-total	100,981,268.56				100,981,268.56

- (2) *See the receivables of single provision for impairment to the note on receivables under the notes to the consolidated financial statements.*

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (continued)**(II) Liquidity risk**

Liquidity risk refers to the risk of insufficient capital in discharging obligations in relation to a financial liability by an entity. It may be due to the inability to sell the financial liability at fair value timely; or due to the insolvency of the counterparty to serve its contractual debts; or due to accelerated debt maturity; or due to inability to incur expected cash flows.

Classification of financial liabilities by remaining term to maturity

Item	Closing balance		
	Carrying amount	Amount of undiscounted contract	Within 1 year
Financial liabilities held for trading	379,489.65	379,489.65	379,489.65
Trade payables	209,249,563.31	209,249,563.31	209,249,563.31
Other payables	14,389,937.23	14,389,937.23	14,389,937.23
Sub-total	224,018,990.19	224,018,990.19	224,018,990.19

(continued from the previous table)

Item	Carrying amount	Opening balance	
		Amount of undiscounted contract	Within 1 year
Trade payables	217,105,852.37	217,105,852.37	217,105,852.37
Other payables	21,511,916.39	21,511,916.39	21,511,916.39
Sub-total	238,617,768.76	238,617,768.76	238,617,768.76

(III) Market Risk

Market risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market rates. Market risk comprises primarily of interest rate risk, exchange risk and other price risk.

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VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (continued)**(III) Market Risk** (continued)1. *Exchange risk*

Exchange risk refers to the risk of fluctuation of the financial instruments' fair value or future cash flow arising from changes in exchange rate. The Company operates in Mainland China, and its activities are mainly denominated in RMB. Therefore, the Company's exposure to market risk of changes in exchange rate is insignificant.

The Company's closing balance of financial assets denominated in foreign currencies and financial liabilities denominated in foreign currencies are presented in other foreign currency monetary items under this note.

2. *Other Price Risk*

The Company invested in futures trading of polypropylene via Hongyuan Futures Co., Ltd and held 230 in its futures account at the end of the year. Under the assumption that other variables are kept constant, a rise/drop of 15% in prices will lead to the increase/decrease of RMB56,923.44 (increase/decrease of RMB0.00 in 2014) in the Company's net profit.

IX. DISCLOSURE OF FAIR VALUE**(I) Breakdown of the fair value of assets and liabilities measured at fair value at the end of the period**

Item	Fair value at the end of the period			Total
	Measurement of first-level fair value	Measurement of second-level fair value	Measurement of third-level fair value	
Measurement of continuous fair value				
Financial liabilities at FVTPL for the current period	379,489.65			379,489.65
Derivative financial liabilities	379,489.65			379,489.65
Total liabilities measured at fair value on an ongoing basis	379,489.65			379,489.65

IX. DISCLOSURE OF FAIR VALUE *(continued)***(II) Reference for determining the market price of items measured at the first-level fair value on an ongoing and non-ongoing basis**

To be determined based on active market price.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**(I) Related parties****1. Information on Parent Company of the Company***(1) Parent Company of the Company*

Name of Parent Company	Place of registration	Nature of business	Registered capital (RMB in ten thousand)	Shareholding percentage of	Percentage of
				the Parent Company in	voting rights of the Parent Company in
				the Company	the Company
				(%)	(%)
Xinjiang Tianye Company Limited	Shihezi, Xinjiang	Manufacturing	43,859.20	38.91	38.91

(2) The ultimate controller of the Company is Xinjiang Tianye (Group) Limited (新疆天業(集團)有限公司).***2. For details of the subsidiaries of the Company, please refer to information on interest in other entities in these notes to the financial statements.****3. Information on associates of the Company**

For details of the associates of the Company, please refer to information on interest in other entities in these notes to the financial statements. Other associates who enter into connected transactions with the Company for this period or with the Company's related parties resulting in balance are listed as follows:

Name of associates	Relationship with the Company
Jianshui Runnong Water Supply Co., Ltd.	Joint-stock company

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(I) Related parties** *(continued)***4. Information on other related parties of the Company***(1) Other related parties of the Company*

Name of other related parties	Relationship between other related parties and the Company
Shihezi City Taian Construction Work Co, Ltd*	Wholly owned subsidiaries of the parent company
Shihezi Taikang Construction and Engineering Co., Ltd.	Wholly owned subsidiaries of the parent company
Beijing Tianye Luzhou Technology and Development Co, Ltd	Wholly owned subsidiaries of the parent company
Shihezi Tianye Tomato Products Co, Ltd*	Wholly owned subsidiaries of the parent company
Shihezi Xinyuan Highway Transportation Co, Ltd*	Wholly owned subsidiaries of the parent company
Shihezi Jiamei Packaging Industrial and Trading Co, Ltd *	Wholly owned subsidiaries of the parent company
Xinjiang Tianye (Group) Limited*	Ultimate holding company
Shihezi City Changyun Biochemical Co., Ltd.	Subsidiary of the ultimate holding company
Shihezi Development Zone Tianye Chemical Co, Ltd*	Subsidiary of the ultimate holding company
Shihezi Development Zone Huineng Industrial Equipment Installation Co, Ltd*	Subsidiary of the ultimate holding company
Turpan Tianye Mineral Development Co., Ltd.	Subsidiary of the ultimate holding company
Xinjing Bingtian Lvcheng Plastic Product Inspection Co., Ltd.	Subsidiary of the ultimate holding company
Shihezi Nanshan Cement Plant*	Subsidiary of the ultimate holding company
Shihezi Development Zone Tianye Thermal Power Co, Ltd*	Subsidiary of the ultimate holding company
Tianchen Chemical Co, Ltd*	Subsidiary of the ultimate holding company
Jinghe County Jingyi Mining Co, Ltd*	Subsidiary of the ultimate holding company
Tianneng Chemical Co, Ltd*	Subsidiary of the ultimate holding company

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(I) Related parties** *(continued)***4. Information on other related parties of the Company** *(continued)**(1) Other related parties of the Company (continued)*

Name of other related parties	Relationship between other related parties and the Company
Xinjiang Tianye (Group) Mining Co, Ltd*	Subsidiary of the ultimate holding company
Shihezi Development Zone Huiye Information Technology Co., Ltd.	Subsidiary of the ultimate holding company
Xinjiang Tianye Zhonghua Mining Co, Ltd*	Subsidiary of the ultimate holding company
Tianwai Cement Co, Ltd*	Subsidiary of the ultimate holding company
Xinjiang Tianzhi Chenye Chemical Co, Ltd*	Subsidiary of the ultimate holding company
Shihezi Development Zone Qingsong Tianye Cement Co, Ltd*	Subsidiary of the ultimate holding company
Tianchen Cement Co, Ltd*	Subsidiary of the ultimate holding company
Tianneng Cement Co, Ltd*	Subsidiary of the ultimate holding company
Tianwai Chemical Co, Ltd*	Subsidiary of the ultimate holding company
Tianbo Chenye Mining Co Ltd	Subsidiary of the ultimate holding company
Xinjiang Tianye Agricultural New and High Technology Co Ltd	Subsidiary of the ultimate holding company
Beijing Tianye International Agricultural Engineering and Technology Co Ltd*	Subsidiary of the ultimate holding company
Shihezi Development Zone Tianye Vehicle Maintenance Service Co, Ltd*	Subsidiary of the ultimate holding company

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(I) Related parties *(continued)*

4. Information on other related parties of the Company *(continued)*

(2) Other information

Xinjiang Tianye Company Limited transferred its 100.00% shareholdings in Shihezi Development Zone Tianye Chemical Co., Ltd., its 100.00% shareholdings in Xinjiang Shihezi Zhongfa Chemical Co., Ltd. and its 100.00% shareholdings in Shihezi City Changyun Biochemical Co., Ltd. to Xinjiang Tianye (Group) Limited. on 30 June 2014, the above companies changed into subsidiaries of Xinjiang Tianye (Group) Limited on 1 July 2014.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(II) Information on 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 PARTIES	Information on related party transactions	Current period	Corresponding period last year
Xinjiang Tianye Company Limited	Raw materials procurement	1,836,985.99	9,566,145.19
Shihezi City Taian Construction Work Co, Ltd*	Undertaking construction work	107,874.39	716,146.92
Shihezi Xinyuan Highway Transportation Co, Ltd*	Receipt of services	114.83	6,200.00
Shihezi Jiamei Packaging Industrial and Trading Co, Ltd *	Packaging material procurement	185,333.00	5,706.70
Xinjiang Tianye (Group) Limited*	Raw materials procurement, etc	228,631,471.50	206,863,613.62
Shihezi Development Zone Huineng Industrial Equipment Installation Co, Ltd*	Raw materials procurement	126,494.36	277,861.97
Shihezi Development Zone Tianye Thermal Power Co, Ltd*	Raw materials procurement	25,370.61	28,288.87
Tianwai Chemical Co, Ltd*	Raw materials procurement	5,619.75	6,469.57
Xinjiang Shihezi City Changyun Biochemical Co., Ltd.	Industrial electricity		190,630.14
Shihezi Tianye Tomato Products Co, Ltd*	Raw materials procurement		12,672.00
Jinghe County Jingyi Mining Co, Ltd*	Raw materials procurement		144,735.39
Beijing Tianye International Agricultural Engineering and Technology Co Ltd*	Raw materials procurement		5,465,800.00
Shihezi Nanshan Cement Plant*	Raw materials procurement		18,735.42
Shihezi Development Zone Tianye Vehicle Maintenance Service Co, Ltd*	Repair of vehicles	20,457.11	
Shihezi Development Zone Huiye Information Technology Co., Ltd.	Raw materials procurement	95,073.50	
Shihezi Development Zone Qingsong Tianye Cement Co, Ltd*	Materials Procurement	1,200.42	
Tianchen Chemical Co, Ltd*	Materials Procurement	22,500.88	
Tianchen Cement Co, Ltd*	Materials Procurement	6,842.16	
Tianwai Cement Co, Ltd*	Materials Procurement	2,234.04	
Xinjing Bingtian Lvcheng Plastic Product Inspection Co., Ltd.	Product inspection, davit-mounting, and etc.	123,216.26	
Total		231,190,788.80	223,303,005.79

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(II) Information on 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 PARTIES	Information on related party transactions	Current period	Corresponding period last year
Xinjiang Tianye Company Limited	Sale of water-saving product	1,026,550.37	1,824,747.41
Shihezi City Taian Construction Work Co, Ltd*	Sale of water-saving product	39,731.78	39,112.72
Shihezi Development Zone Tianye Chemical Co, Ltd*	Sale of water-saving product	11,378.01	7,411.38
Shihezi Tianye Tomato Products Co, Ltd*	Sale of water-saving product	198,053.19	442.05
Shihezi Jiamei Packaging Industrial and Trading Co, Ltd *	Sale of water-saving product	10,829.44	949.79
Xinjiang Tianye (Group) Limited*	Sale of water-saving product	311,599.46	247,065.31
Tianchen Chemical Co, Ltd*	Sale of water-saving product	65,613.69	121,666.07
Jinghe County Jingyi Mining Co, Ltd*	Sale of water-saving product	18,213.10	2,094.36
Shihezi Development Zone Huiye Information Technology Co., Ltd.	Sale of water-saving product	76.07	2,037.19
Xinjiang Tianzhi Chenye Chemical Co, Ltd*	Sale of water-saving product	256,572.89	333,031.86
Shihezi Development Zone Qingsong Tianye Cement Co, Ltd*	Sale of water-saving product	9,150.99	504.73
Tianchen Cement Co, Ltd*	Sale of water-saving product	9,876.89	7,157.19
Tianneng Cement Co, Ltd*	Sale of water-saving product	2,190.81	12,956.36
Tianwai Chemical Co, Ltd*	Sale of water-saving product	201,888.90	166,207.62
Tianbo Chenye Mining Co Ltd	Sale of water-saving product	487.00	82,065.60
Xinjiang Tianye Agricultural New and High Technology Co Ltd	Sale of water-saving product	158,250.05	244,872.59
Tianwai Cement Co, Ltd*	Sale of water-saving product	18,870.63	35,585.41
Xinjiang Shihezi City Changyun Biochemical Co., Ltd.	Sale of water-saving product		135.89
Xinjiang Tianye (Group) Mining Co, Ltd*	Sale of water-saving product		239,802.51
Xinjiang Tianye Zhonghua Mining Co, Ltd*	Sale of water-saving product		15,934.25
Shihezi Nanshan Cement Plant*	Sale of water-saving product		2,491.48
Shihezi Development Zone Tianye Thermal Power Co, Ltd*	Sale of water-saving product		316.96
Tianneng Chemical Co, Ltd*	Sale of water-saving product	128,394.29	
Shihezi Development Zone Huineng Industrial Equipment Installation Co, Ltd*	Sale of water-saving product	5,645.48	
Turpan Tianye Mineral Development Co., Ltd.	Sale of water-saving product	528.41	
Shihezi Taikang Construction and Engineering Co., Ltd.	Sale of water-saving product	1,786.68	
Shihezi Xinyuan Highway Transportation Co, Ltd*	Sale of water-saving product	764.96	
Total		2,476,453.09	3,386,588.73

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(II) Information on related party transactions** (continued)**1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services** (continued)

(3) Other information

Both Parties shall negotiate to determine the transaction price by reference to the market price.

2. Information on related party leases

(1) Breakdown

1) The Company as a lessor

Name of lessee	Type of leased assets	Rental income recognized for the period	Rental income recognized for the corresponding period last year
Xinjiang Tianye Company Limited	Buildings	600,000.00	600,000.00

2) The Company as a lessee

Name of lessor	Type of leased assets	Lease payment recognized for the period	Lease payment recognized for the corresponding period last year
Xinjiang Tianye Company Limited	Office and plant	1,455,820.00	1,455,820.00

Notes to Financial Statements

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(II) Information on related party transactions** *(continued)***2. Information on related party leases** *(continued)**(2) Other information*

Both Parties shall negotiate to determine the rental by reference to the market price.

3. Compensation to key management personnel

Item	Current period	Corresponding period last year
Compensation to key management personnel	3,874,628.80	3,488,703.17

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(II) Information on related party transactions** (continued)**4. Remuneration of Directors and Supervisors**

Item	Current period		Total
	Salary, bonus, allowance and subsidy	Social security insurance	
Executive Directors:	622,552.20	448,664.78	1,071,216.98
Chen Lin			
Zhang Qiang	285,699.60	162,897.40	448,597.00
Zhu Jia Ji	188,952.40	170,097.40	359,049.80
Shao Mao Xu	147,900.20	115,669.98	263,570.18
Independent non-executive Directors:	135,000.00		135,000.00
Cao Jian	30,000.00		30,000.00
Yin Feihu	30,000.00		30,000.00
Qin Ming	30,000.00		30,000.00
Mak King Sau	45,000.00		45,000.00
Supervisors:	186,176.50	108,129.60	294,306.10
Han Pan	144,176.50	108,129.60	252,306.10
He Jie	42,000.00		42,000.00
Yang ming			
Total	943,728.70	556,794.38	1,500,523.08

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(II) Information on related party transactions** (continued)**4. Remuneration of Directors and Supervisors** (continued)

(continued from the previous table)

Item	Corresponding period last year		Total
	Salary, bonus, allowance and subsidy	Social insurance	
Executive Directors:	843,077.91	536,858.52	1,379,936.43
Li Shuang Quan	174,061.06	107,580.64	281,641.70
Chen Lin			
Zhang Qiang	251,813.20	156,839.96	408,653.16
Zhu Jia Ji	263,813.20	162,039.96	425,853.16
Shao Mao Xu	153,390.45	110,397.96	263,788.41
Independent non-executive Directors:	137,506.00		137,506.00
Cao Jian	30,000.00		30,000.00
Yin Feihu	30,000.00		30,000.00
Qin Ming	30,000.00		30,000.00
Mak King Sau	47,506.00		47,506.00
Supervisors:	193,534.75	106,533.96	300,068.71
Han Pan	151,534.75	106,533.96	258,068.71
Zhou Qian			
He Jie	42,000.00		42,000.00
Yang ming			
Total	1,174,118.66	643,392.48	1,817,511.14

Li Shuangquan resigned from the position of Director of the Company on 7 August 2014.

The remuneration and retirement benefits of Chen Lin were paid by Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司), and the Company was not required to reimburse the remuneration and retirement benefits paid by Xinjiang Tianye (Group) Limited.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(II) Information on related party transactions** *(continued)***4. Remuneration of Directors and Supervisors** *(continued)*

Independent non-executive Director Cao Jian, Qin Ming, Yin Feihu and Mak King Sau are entitled to retirement benefits from the respective organizations or companies they serve. Therefore, they are not entitled to any retirement benefits of the Company.

Mr. He Jie and Mr. Zhou Qian are independent Supervisors of the Company and they are entitled to retirement benefits from the respective organizations or companies they serve and they are not entitled to any retirement benefits of the Company.

Yang ming was appointed as an employee Supervisor of the Company on 23 May 2014. The remuneration and retirement benefits of Yang ming were paid by Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司), and the Company was not required to reimburse the remuneration and retirement benefits paid by Xinjiang Tianye (Group) Limited.

Zhou Qian resigned from the position of Supervisor of the Company on 23 May 2014. The remuneration and retirement benefits of Zhou Qian were paid by Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司), and the Company was not required to reimburse the remuneration and retirement benefits paid by Xinjiang Tianye (Group) Limited.

5. Five highest paid employees

Of the five highest paid employees during the year, 2 (2014: 2) were Directors, whose detail remuneration are set out in note X (II) 4. The remuneration of the remaining 3 (2014: 3) employees who are not Directors are as set out below:

Name of item	Current period	Corresponding period last year
Salaries and other benefits	1,027,281.80	1,030,052.79
Retirement fund scheme contributions	281,828.80	268,071.92
Sub-total	1,309,110.60	1,298,124.71

The remuneration of each of the five highest paid individuals in the Company are below RMB1 million.

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X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(III) Amount due from/to related party**

Name of item	Related party	Closing balance	Opening balance
Trade payables	Xinjiang Tianye (Group) Limited*	107,276,888.27	69,198,905.66
	Beijing Tianye International Agricultural Engineering and Technology Co Ltd*	5,795,627.24	
	Shihezi City Taian Construction Work Co, Ltd*		115,174.92
	Shihezi Development Zone Tianye Chemical Co, Ltd*		628,596.00
	Tianchen Chemical Co, Ltd*		763,497.90
	Tianneng Chemical Co, Ltd*		750,655.80
	Sub-total		113,072,515.51
Other payables	Xinjiang Tianye Company Limited	2,259,033.00	1,785,675.00
Sub-total		2,259,033.00	1,785,675.00

XI. CONTINGENCIES AND COMMITMENTS

As of the balance sheet date, the Company had no material commitments or contingencies that required to be disclosed.

XII. POST BALANCE SHEET DATE EVENT

According to the resolution by the fifteenth meeting of the fourth session of the Board on 23 October 2015, the Company proposed to establish wholly owned subsidiary Xinjiang Tianye Nanjing Water Saving Agriculture Co., Ltd. The subsidiary was founded on 22 March, 2016 with a registered capital of RMB20,000,000.

XIII. OTHER SIGNIFICANT EVENTS

(I) Discontinuing Operations

Item	Income	expenses	Total	Income	Net	Discontinuing
			amount	tax		operation profit
			of profit	expenses	profits	attributable to owners of the Parent Company
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd.		5,649.23	-5,649.23		-5,649.23	-2,881.11

(II) Segment information

The Company regularly analyses its revenue by business divisions, including design, manufacturing, installation and sale of irrigation system and equipment. The operation of the Company constitutes one single reportable segment under the provisions on segment information of statements of enterprise of ASBE- interpretation No. 3 and accordingly, no separate preparation of segment information is required.

The Company's business during the period were all derived from domestic sales. Further, the segment assets and capital expenditure by geographical location in which the assets located were all located in the PRC.

There were no customer with transactions amount accounted for 10.00% or more of the Company's operating income during the year.

(III) Other Events

- The Former Subsidiary, Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd. has entered into the liquidation procedure on 31 May 2013. The Company will no longer include Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd in the consolidation scope since the date. The investment costs for Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd amounted to RMB5,190,830.27. The company made provision for impairment loss in 2013. As of 31 December 2015, Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd. had been in the process of liquidation. The intercourse funds due from Xinjiang Aral Tiannong Water Saving Irrigation Co., Ltd. to the Company amounted to RMB14,996,171.60, and according to the Company's knowledge on the liquidation, it is estimated to be recovered in full amount, therefore, no provision is made for the bad debt.

Notes to Financial Statements

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XIII. OTHER SIGNIFICANT EVENTS (continued)**(III) Other Events** (continued)

2. According to the resolution by the eighth meeting of the fourth session of the Board on 15 September 2014, the Company will liquidate and deregister Shihezi Tianye Material Recycling Co., Ltd, a controlling subsidiary. It is awaiting liquidation and the liquidation procedure has not been commenced.

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY**(I) Notes to items in the Balance Sheet of the Company****1. Trade receivables***(1) Breakdown*

1) Breakdown by category

Category	Book balance		Closing balance		Book value
	Amount	Percentage	Amount	Bad-debt provision	
		(%)		provision (%)	
Individually significant and for which bad-debt provision has been separately made					
Bad-debt provision made in portfolio as per credit risk features	69,241,920.26	100.00	5,631,412.02	8.13	63,610,508.24
Individually insignificant but for which bad-debt provision has been separately made					
Total	69,241,920.26	100.00	5,631,412.02	8.13	63,610,508.24

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

1. Trade receivables (continued)

(1) Breakdown (continued)

1) Breakdown by category (continued)

(continued from the previous table)

Category	Book balance		Opening balance		Book value
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad-debt provision has been separately made					
Bad-debt provision made in portfolio as per credit risk features	68,155,369.83	100.00	5,431,548.27	7.97	62,723,821.56
Individually insignificant but for which bad-debt provision has been separately made					
Total	68,155,369.83	100.00	5,431,548.27	7.97	62,723,821.56

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

Age	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year	1,409,833.22	14,098.33	1.00
1-2 years	2,500,576.65	1,250,288.33	50.00
2-3 years	267,331.80	267,331.80	100.00
3-4 years	1,948,485.37	1,948,485.37	100.00
4-5 years	1,961,238.34	1,961,238.34	100.00
Over 5 years	189,969.85	189,969.85	100.00
Sub-total	8,277,435.23	5,631,412.02	68.03

Notes to Financial Statements

2015

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

1. Trade receivables (continued)

(1) Breakdown (continued)

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

Name of entity	Book balance	Bad-debt provision	Percentage of provision	Reason for provision
Gansu Tianye Water Saving Device Co, Ltd	6,614,469.26			Subsidiaries within the scope of consolidation
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd	436,923.08			Subsidiaries within the scope of consolidation
Akesu Tianye Water Savingm Co., Ltd	1,730,454.00			Subsidiaries within the scope of consolidation
Amounts due from state land treatment project and government tender project	52,182,638.69			The bad-debt provision will be made with the method of individual identification based on such project's receipt credit risk.
Sub-total	60,964,485.03			

(2) Age analysis

Age	Closing balance	Opening balance
Within 1 year	31,573,415.99	30,709,105.72
1-2 years	13,608,067.10	12,356,591.21
2-3 years	6,810,244.24	11,162,958.04
3-4 years	3,425,492.09	5,850,526.22
4-5 years	5,661,502.17	2,000,000.00
Over 5 years	2,531,786.65	644,640.37
Total	63,610,508.24	62,723,821.56

(3) Information on bad-debt provision made, recovered or released during the period

Bad-debt provision made during the period amounted to RMB199,863.75.

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Company *(continued)*

1. Trade receivables *(continued)*

(4) Top 5 trade receivables

Name of entity	Book balance	Percentage in the balance of receivables (%)	Bad-debt provision
Water Conservancy Construction Management Office of the Forth Agricultural Division	11,412,892.97	16.48	
Gansu Tianye Water Saving Device Co, Ltd*	6,614,469.26	9.55	
Water bureau of Taigu County	3,019,672.29	4.36	
Liaoning Dongrun Seed Industry Co., Ltd.	3,000,000.00	4.33	
Kaiyuan Agricultural Technology Promotion Center	2,931,850.12	4.23	
Sub-total	26,978,884.64	38.95	

Notes to Financial Statements

2015

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

2. Other receivables

(1) Breakdown

1) Breakdown by category

Category	Book balance		Closing balance		Book value
	Amount	Percentage	Amount	Bad-debt provision	
		(%)		provision (%)	
Individually significant and for which bad-debt provision has been separately made					
Bad-debt provision made in portfolio as per credit risk features	145,216,499.17	100.00	1,514,825.53	1.04	143,701,673.64
Individually insignificant but for which bad-debt provision has been separately made					
Total	145,216,499.17	100.00	1,514,825.53	1.04	143,701,673.64

(continued from the previous table)

Category	Book balance		Closing balance		Book value
	Amount	Percentage	Amount	Bad-debt provision	
		(%)		provision (%)	
Individually significant and for which bad-debt provision has been separately made					
Bad-debt provision made in portfolio as per credit risk features	152,219,638.03	100.00	1,514,825.53	1.00	150,704,812.50
Individually insignificant but for which bad-debt provision has been separately made					
Total	152,219,638.03	100.00	1,514,825.53	1.00	150,704,812.50

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Company *(continued)*

2. Other receivables *(continued)*

(1) Breakdown *(continued)*

- 2) Other receivables for which bad-debt provision has been made in groups using the aging analysis method

Age	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year	216,533.90	2,165.34	1.00
1-2 years	820,650.80	410,325.40	50.00
2-3 years	97,301.30	97,301.30	100.00
3-4 years	100,000.00	100,000.00	100.00
4-5 years	347,203.69	347,203.69	100.00
Over 5 years	323,864.04	323,864.04	100.00
Sub-total	1,905,553.73	1,280,859.77	67.22

Notes to Financial Statements

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XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(1) Breakdown (continued)

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

Name of entity	Book balance	Bad-debt provision	Percentage of provision	Reason for provision
Gansu Tianye Water Saving Device Co, Ltd*	243,062.12			Subsidiaries within the scope of consolidation
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	4,494,167.69			Subsidiaries within the scope of consolidation
Kuitun Tiantun Water Saving Co, Ltd*	35,315,344.21			Subsidiaries within the scope of consolidation
Akesu Tianye Water Saving Co., Ltd*	66,119,291.31			Subsidiaries within the scope of consolidation
Shihezi Tiancheng Water Saving Device Co, Ltd	17,868,249.57			Subsidiaries within the scope of consolidation
Liaoning Tianye Water Saving Irrigation Co, Ltd*	3,855,588.97			Subsidiaries within the scope of consolidation
Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd*	13,076,659.22			Former subsidiary in liquidation
Fund borrowed in advance for construction material for state-owned project	2,338,582.35	233,965.76	10.00	Bad-debt provision for the difference between the present value of its future cash flow and its carrying amount
Sub-total	143,310,945.44	233,965.76	0.16	

(2) Information on bad-debt provision made, recovered or released during the period

Bad-debt provision made during the period amounted to RMB0.00.

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

2. Other receivables (continued)

(3) Category of nature of other receivables

Nature	Closing balance	Opening balance
Security deposits	1,523,354.49	3,441,471.02
Project payment advanced to government	2,338,582.35	7,279,478.94
Amounts due from parent company and subsidiaries	127,895,703.87	127,998,766.88
Provisional accounts receivables	13,458,858.46	11,985,095.66
Total	145,216,499.17	150,704,812.50

(4) Top 5 other trade receivables

Name of entity	Nature	Book balance	Age	Percentage in the balance of other receivables (%)	Bad-debt provision
Akesu Tianye Water Saving Co., Ltd*	Current account	66,119,291.31	1-2 years	24.32	
Kuitun Tiantun Water Saving Co, Ltd*	Current account	35,315,344.21	Within 1 year	45.53	
Shihezi Tiancheng Water Saving Device Co, Ltd	Current account	17,868,249.57	1 to 3 Years	12.30	
Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd*	Current account	13,076,659.22	3 to 5 Years	9.00	
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	Current account	4,494,167.69	longer than 1 years	3.09	
Sub-total		136,873,712.00		94.24	

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XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)**(I) Notes to items in the Balance Sheet of the Company** (continued)**3. Long-term equity investment**

(1) Breakdown

Item	Closing balance		Carrying amount
	Book balance	Provision for impairment	
Investment in subsidiary	152,885,270.74	21,190,830.27	131,694,440.47
Investment in associates	2,801,090.14		2,801,090.14
Total	155,686,360.88	21,190,830.27	134,495,530.61

(continued from the previous table)

Item	Book balance	Opening balance	Carrying amount
		Provision for impairment	
Investment in subsidiary	154,415,270.74	20,190,830.27	134,224,440.47
Total	154,415,270.74	20,190,830.27	134,224,440.47

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

3. Long-term equity investment (continued)

(2) Investment in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment for the period	Provision for impairment Closing balance
Hami Tianye Hongxing Water Saving Irrigation Co, Ltd*	11,549,490.47			11,549,490.47	1,000,000.00	4,000,000.00
Kuitun Tiantun Water Saving Co, Ltd*	12,000,000.00			12,000,000.00		12,000,000.00
Beijing Tianye Runhua Water Saving Irrigation Technology Co., Ltd.	1,530,000.00		1,530,000.00			
AKESU TIANYE Water Saving Co., Ltd.	40,000,000.00			40,000,000.00		
Shihezi Tiancheng Water Saving Device Co, Ltd	10,260,000.00			10,260,000.00		
Shihezi Tianye Material Recycling Co, Ltd*	2,470,000.00			2,470,000.00		
Gansu Tianye Water Saving Device Co, Ltd*	61,414,950.00			61,414,950.00		
Xinjiang Aral Tiannong Water Saving Irrigation Co, Ltd*	5,190,830.27			5,190,830.27		5,190,830.27
LIAONING TIANYE Water Saving Irrigation Co., Ltd. Co., Ltd.	10,000,000.00			10,000,000.00		
Sub-total	154,415,270.74		1,530,000.00	152,885,270.74	1,000,000.00	21,190,830.27

Notes to Financial Statements

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XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Company (continued)

3. Long-term equity investment (continued)

(3) Investment in associates

Investee	Opening balance	Increase or decrease during the period			Investment profit and loss recognized with the equity method	Adjustment of other consolidated return
		Increase	Decrease			
Associate:						
Jianshui Runnong Water Supply Co., Ltd.		2,800,000.00			1,090.14	
Total		2,800,000.00			1,090.14	

(continued from the previous table)

Investee	Other change to Equity	Increase or decrease during the period			Closing balance	Provision for impairment closing balance
		Cash dividends or profit distribution declared	Provision for impairment	Others		
Associate:						
Jianshui Runnong Water Supply Co., Ltd.					2,801,090.14	
Total					2,801,090.14	

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Company *(continued)*

3. Long-term equity investment *(continued)*

(4) Investment in unlisted companies and investment in listed companies

Item	Closing balance	Opening balance
Investment on unlisted companies	2,801,090.14	
Total	2,801,090.14	

(II) Notes to items in the Statement of Income of the Company

1. Operating income/operating cost

(1) Breakdown

Item	Amount in current period		Corresponding period last year	
	Income	Cost	Income	Cost
Principal businesses	489,947,382.04	467,636,452.31	534,571,647.34	495,629,506.81
Other businesses	1,399,253.99	1,123,836.36	4,352,106.61	2,797,103.58
Total	491,346,636.03	468,760,288.67	538,923,753.95	498,426,610.39

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XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)***(II) Notes to items in the Statement of Income of the Company** *(continued)***1. Operating income/operating cost** *(continued)*(2) *Operating income from principal businesses/operating cost from principal businesses (by product)*

Product Nature	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Drip tapes and drip assemblies	323,316,012.89	320,204,581.23	370,528,380.11	365,018,952.98
PVC pipes/PE pipes	154,040,812.79	128,482,620.51	150,539,298.36	119,827,838.43
Project income	12,590,556.36	18,949,250.57	13,503,968.87	10,782,715.40
Total	489,947,382.04	467,636,452.31	534,571,647.34	495,629,506.81

(3) *Operating income from principal businesses (by region)*

Name of region	Current period	Corresponding period last year
Xinjiang	364,917,478.59	463,416,523.25
PRC excluding Xinjiang	125,029,903.45	71,155,124.09
Sub-total	489,947,382.04	534,571,647.34

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(II) Notes to items in the Statement of Income of the Company *(continued)*

2. Investment income

(1) Breakdown

Item	Current period	Corresponding period last year
Return on long-term equity investment accounted with the equity method	1,090.14	
Investment income from disposal of long-term equity investment	2,663.17	
Return on investment acquired from financial asset to be measured on fair value, change of which shall be incorporated into current profit and loss	5,445,391.94	
Others — Financial Product	68,383.63	
Total	5,517,528.88	

(2) Information on investment income from investment to unlisted company and investment to listed company

Item	Current period	Corresponding period last year
Investment income from investment to unlisted company	1,090.14	
Sub-total	1,090.14	

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XV. OTHER SUPPLEMENTAL INFORMATION**(I) Non-recurring profit and loss**

1. Breakdown of non-recurring profit and loss

Item	Amount	Note
Profit and loss from disposal of non-current asset, include unauthorized approval of write-off portion of provision for asset impairment, or with no official approval documents, or accidental tax rebate and exemption	22,205.90	
Government subsidiaries (other than those closely related to the Company's routine business, in line with national policies and regulation, continuously provided in accordance with certain standard quota or ration) incorporated into the current profit or loss	1,469,700.00	
Payment for possession of fund acquired from non-financial businesses included in the current profit and loss		
Gains arising from the excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the investment costs for acquisition of the subsidiaries, associates and joint ventures		
Non-monetary asset exchange profit and loss		
Profit and loss from commissioned investment or asset management	68,383.63	
Provision for all assets impairment made for force majeure, such as natural disasters		
Profit and loss from debt restructuring		
Corporate restructuring cost, such as staffing expense and integration cost		
Profit and loss from the portion generated from transactions with unreasonable trading price in excess of fair value		
Net profit or loss of subsidiaries from business merger under common control from the beginning of the period to the date of merger		
Profit and loss from contingencies unrelated to normal business operation of the Company		
In addition to effective hedging operations related to the Company's normal business, returns on change of fair value arising from holding financial assets or financial liabilities at FVTPL for the current period, and returns on investment acquired from disposal of financial assets and financial liabilities at FVTPL for the current period and available-for-sale financial assets	5,065,902.29	
Reversal of receivables impairment provision with impairment test performed separately		
Profit and loss from entrusted loan receivable		
Profit or loss from change in fair value of investment property using the fair value model for subsequent measurement		
Effect from one-time adjustment to the current profit or loss required by tax, accounting and other laws and regulations upon the current profit or loss		
Custodian fee income from entrusted operation		
Operating income and expenses other than the above items	4,228,543.09	
Other profit and loss items in line with the definition of non-recurring profits and losses		
Sub-total	10,854,881.73	
Less: Affected amount of EIT (decrease is denoted as "—")	-30,997.18	
Affected amount of minority interest (after tax)	19,278.11	
Net non-recurring profit or loss attributable to owners of the parent Company	10,866,600.80	

XV. OTHER SUPPLEMENTAL INFORMATION *(continued)***(II) Rate of return on assets and earnings per share****1. Breakdown**

Profit during the reporting period	Weighted average return on net asset (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to the ordinary shareholders of the Company	-0.95	-0.0131	-0.0131
Net profits attributable to the ordinary shareholders of the Company after nonrecurring profit or loss	-2.24	-0.0308	-0.0308

Notes to Financial Statements

2015

XV. OTHER SUPPLEMENTAL INFORMATION (continued)**(II) Rate of return on assets and earnings per share** (continued)**2. Calculation of weighted average return on net asset**

Item	No.	Current period
Net profits attributable to the ordinary shareholders of the Company	A	-6,793,864.99
Non-recurring profit or loss	B	10,866,600.80
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-17,660,465.79
Opening balance of net asset attributable to the ordinary shareholders of the Company	D	717,483,172.98
Net asset attributable to the ordinary shareholders of the Company arising from new shares issuance or conversion of debt to Shares	E	
Number of months accumulated from the month after the month of creation of additional net assets to the end of the reporting period	F	
Decrease in net asset attributable to the ordinary shareholders of the Company due to repurchase or cash dividend	G	
Number of months accumulated from the month after the month of reduction of net assets to the end of the reporting period	H	
Others	I	
Number of months accumulated from the month after the month of addition or reduction of net assets to the end of the reporting period	J	
Number of months during the reporting period	K	12.00
Weighted average net asset	$L = \frac{D+A}{2} + \frac{E \times F}{K} - \frac{G \times H}{K} \pm I \times \frac{J}{K}$	714,086,240.49
Weighted average return on net asset	$M = A/L$	-0.95%
Weighted average return on net asset after nonrecurring profit or loss	$N = C/L$	-2.47%

XV. OTHER SUPPLEMENTAL INFORMATION (continued)**(II) Rate of return on assets and earnings per share** (continued)**3. Calculation of basic earnings per share and diluted earnings per share**

(1) Calculation of basic earnings per share

Item	SN	Current period
Net profits attributable to the ordinary shareholders of the Company	A	-6,793,864.99
Non-recurring profit or loss	B	10,866,600.80
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-17,660,465.79
Open balance of total number of share	D	519,521,560.00
Number of shares increased due to capitalization of capital reserve or distribution of share dividends	E	
Number of shares increased due to new shares issuance or conversion of debt to Shares	F	
Number of months accumulated from the month after the month of creation of additional shares to the end of the reporting period	G	
Decrease in number of shares due to repurchase	H	
Number of months accumulated from the month after the month of reduction of shares to the end of the reporting period	I	
Share reduction during the reporting period	J	
Number of months during the reporting period	K	12.00
Weighted average number of outstanding ordinary shares	$L=D+E+F \times G / K - H \times I / K - J$	519,521,560.00
Basic earnings per share	$M=A/L$	-0.0131
Basic earnings per share after non-recurring profit or loss	$N=C/L$	-0.0340

Notes to Financial Statements

2015

XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

(II) Rate of return on assets and earnings per share *(continued)*

3. Calculation of basic earnings per share and diluted earnings per share *(continued)*

(2) Calculation of diluted earnings per share

Calculation of diluted earnings per share is the same as the calculation of basic earnings per share

XINJIANG TIANYE Water Saving Irrigation System Company Limited

29 March 2016

Five Years Financial Summary

For the year ended 31 December 2015

The table below summarizes the audited results, assets and liabilities of the Group for the years ended 31 December 2015, 2014, 2013, 2012 and 2011. Such information for 2011 was compiled based on the Hong Kong Financial Reporting Standards, and information for 2012-2015 was compiled based on the ASBE of China.

RESULTS

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	667,448	700,812	691,547	762,837	690,416
Total comprehensive income attributable to owners of the Parent Company	(6,794)	2,080	3,609	3,211	18,956

ASSETS AND LIABILITIES

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	1,032,432	1,045,700	1,033,609	1,101,230	1,103,598
Total liabilities	309,624	313,898	302,961	371,395	388,876
Minority interest	(12,119)	(14,319)	(15,222)	(18,018)	(15,217)
Total equity attributable to owners of the Parent Company	710,689	717,483	715,426	711,817	699,505

Property Interests held by the Group in the PRC

For the year ended 31 December 2015

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 and structures erected thereon, No. 1 Hong Guang Road, Hami City, Xinjiang Uygur Autonomous Region, the PRC	Long	60%	4,600.8	Commercial
2. 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
3. Various buildings and structures located on 134 Tuan, Xiayedi Town Shihezi City, Xinjiang Uygur Autonomous Region, the PRC	Long	60%	4,255.3	Commercial
4. Various buildings and structures located on Zhijiang Avenue, Akesu Textile Industrial City (Development Zone), Xinjiang Uygur Autonomous Region, the PRC	Long	100%	12,472.7	Commercial