



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

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

**(Stock Code: 840)**

**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2021**

**SUMMARY**

- Total operating revenue for the six months ended 30th June, 2021 was approximately RMB384,095,000, representing an increase of approximately 8.90% from approximately RMB352,711,000 for the corresponding period in the previous year.
- Unaudited net profit for the six months ended 30th June, 2021 was approximately RMB751,000, while net profit for the corresponding period in the previous year was approximately RMB262,000. The unaudited net loss attributable to owners of the parent company for the six months ended 30th June, 2021 was approximately RMB127,000, as compared with the net profit of approximately RMB339,000 for the corresponding period in the previous year.
- Basic loss per share for the six months ended 30th June, 2021 was approximately RMB0.00025 (basic loss per share for the corresponding period in 2020: RMB0.0005).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2021 (for the corresponding period in 2020: nil).

## FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2021, together with the comparative figures for the corresponding period in 2020. These unaudited interim financial statements have been reviewed by the Company’s audit committee.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
1. Total operating revenue	3	384,095	352,711
Including: Other operating income		53,949	27,903
Income from principal businesses		330,146	324,808
2. Total operating cost		387,286	352,211
Including: Cost of sales		346,535	309,457
Business taxes and surcharges		2,104	2,202
Distribution costs		17,936	20,417
Administrative expenses		20,803	17,991
Research and development expenses		2,509	2,610
Finance costs		704	854
Credit impairment loss		(3,305)	(1,142)
Assets impairment loss		—	(178)
Add: Other income		3,334	1,079
Investment gains		(53)	0
Less: Gain/(loss) from disposal of assets		85	(867)
Investment loss		—	—
3. Operating profits		175	712
Add: Non-operating income		1,825	164
Less: Non-operating expenses		(1)	176
4. Total profits	5	1,999	700
Less: Income tax expenses	6	1,248	438
5. Net profit/(loss)		751	262
Net (loss)/profit attributable to owners of the parent company		(127)	338
Profit/(loss) attributable to minority interests		878	(76)
6. Profit/(loss) per share — basic	7	RMB (0.00025)	RMB 0.0005
7. Other comprehensive income		—	—
8. Total comprehensive profit/(loss)		751	262
Total comprehensive profit/(loss) attributable to owners of the parent company		(127)	338
Total comprehensive (loss) attributable to minority interests		878	(76)
9. Dividend	8	—	—

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2021 <i>RMB'000</i> (unaudited)	As at 31st December, 2020 <i>RMB'000</i> (audited)
<b>Current assets:</b>			
		56,127	116,336
Cash		213,823	177,903
Trade receivables	9	69,614	19,960
Prepayments		30,344	28,553
Other receivables		379,835	391,769
Inventories		4,489	6,919
Other current assets		<u>754,232</u>	<u>741,440</u>
Total current assets			
<b>Non-current assets:</b>			
Long-term equity investments		2,546	2,599
Fixed assets		139,735	145,540
Construction in progress		2,918	2,524
Biological assets for production	10	25,032	20,613
Intangible assets		14,875	15,388
Development expenses		9,670	8,144
Long-term deferred expenses		6,321	6,876
Deferred income tax assets		3,496	4,386
Other non-current assets		<u>—</u>	<u>119</u>
Total non-current assets		<u>204,593</u>	<u>205,289</u>
Total assets		<u><u>958,825</u></u>	<u><u>946,728</u></u>
<b>Current liabilities:</b>			
Short-term borrowings		33,580	53,059
Trade payables	11	209,892	224,299
Contract liabilities		51,572	37,016
Employee remuneration payables		8,548	8,376
Taxes and levy payables		7,335	2,153
Other payables		45,741	26,203
Other current liabilities		<u>—</u>	<u>3,097</u>
Total current liabilities		<u>356,668</u>	<u>354,204</u>

	<b>As at 30th June, 2021 RMB'000 (unaudited)</b>	<b>As at 31st December, 2020 RMB'000 (audited)</b>
<b>Non-current liabilities:</b>		
Deferred income	6,731	10,802
Long-term payables	—	—
	<u>6,731</u>	<u>10,802</u>
Total non-current liabilities	<u>6,731</u>	<u>10,802</u>
Total liabilities	<u>363,399</u>	<u>365,006</u>
<b>Equity of owners:</b>		
Share capital	519,522	519,522
Capital reserve	25,737	25,737
Surplus reserves	34,724	34,724
Retained earnings	(9,806)	(9,679)
	<u>570,177</u>	<u>570,304</u>
Total equity attributable to owners of the parent company	<u>570,177</u>	<u>570,304</u>
Minority interests	25,249	11,418
	<u>595,426</u>	<u>581,722</u>
Total equity of owners	<u>595,426</u>	<u>581,722</u>
Total liabilities and equity of owners	<u><u>958,825</u></u>	<u><u>946,728</u></u>

**CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
*For the six months ended 30th June, 2021*

	Share capital	Capital reserves	Surplus reserves	Retained earnings	Total equity attributable to owners of the parent company	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2020	519,522	15,372	34,724	37,620	607,238	9,340	616,578
Total comprehensive income for the period	—	—	—	338	338	(76)	262
At 30th June, 2020	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>37,435</u>	<u>607,053</u>	<u>9,038</u>	<u>616,091</u>
At 1st January, 2021	519,522	25,737	34,724	(9,679)	570,304	11,418	581,722
Total comprehensive loss for the period	—	—	—	(127)	(127)	36,667	13,756
At 30th June, 2021	<u>519,522</u>	<u>25,737</u>	<u>34,724</u>	<u>(9,806)</u>	<u>570,229</u>	<u>25,249</u>	<u>595,478</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2021

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
Net cash generated from operating activities	<b>(46,986)</b>	9,007
Net cash generated from investing activities	<b>57,352</b>	(523)
Net cash generated from financing activities	<b>(13,281)</b>	48,985
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Net increase in cash and cash equivalents	<b>(60,209)</b>	57,469
Balance of cash and cash equivalents at 1st January	<b>116,336</b>	63,242
	<hr/>	<hr/>
Balance of cash and cash equivalents at 30th June	<b>56,137</b>	120,711
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## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2021

### 1. GENERAL

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 (新疆天業股份有限公司) 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 under the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區工商行政管理局) on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The creditability code of its Business License of Enterprise Legal Person is 91650000757655578C 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 shares listing from the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited to the Main Board of the Stock Exchange on 24th 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 production and sales 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.

The Company included the following 13 subsidiaries into the consolidated financial statements for the period: Gansu Tianye Water Saving Device Co., Ltd (“Gansu Tianye”), Gansu Tianye Water Conservancy and Hydropower Engineering Co., Ltd.\* (“Gansu Tianye Water Conservancy and Hydropower”), Kuitun Tiantun Water Saving Co., Ltd\* (“Kuitun Water Saving”), Akesu Tianye Water Saving Co., Ltd\* (“Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd (“Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd\* (“Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd\* (“Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited\* (“Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited (“Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.\* (“Xiyu Water Conservancy”), Shihezi Tianye Xiying Water Saving Device Co., Ltd.\* (“Xiying Water Saving”), Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd. (“Liaoning Tianfu Ecological”) and Urumuqi Hongrui Plastic Trade Limited (“Hongrui Plastic”). For details, please refer to modification of consolidation scope and interest in other entities in the notes to these financial statements.

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

### 2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

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

The accounting policies applied are consistent with those as referred to in the annual financial statements for the year ended 31st December 2020, save for the new and amended standards as set forth below.

### 3. TOTAL OPERATING REVENUE

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

	For the six months ended	
	30th June,	
	2021	2020
	RMB'000	RMB'000
Drip tapes and drip assemblies	35,918	84,968
PVC/PE pipelines	135,945	154,381
Income from trading	51,182	—
Provision of installation services	107,100	85,459
Other operating income	53,950	27,903
	<u>384,095</u>	<u>352,711</u>

Notes:

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

### 4. BUSINESS AND GEOGRAPHICAL SEGMENT

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

### 5. TOTAL PROFITS

	For the six months ended	
	30th June,	
	2021	2020
	RMB'000	RMB'000
Total profits have been arrived at after charging:		
Depreciation	7,058	6,403
and after crediting:		
Bank interest income	414	279
	<u>414</u>	<u>279</u>



## 6. INCOME TAX EXPENSES

	For the six months ended	
	30th June,	
	2021	2020
	RMB'000	RMB'000
Enterprise Income Tax (“EIT”)	<u>1,248</u>	<u>438</u>

- (1) The Company and its subsidiaries, Gansu Tianye Water Saving Device Co., Ltd.\* (甘肅天業節水有限公司), Akesu Tianye Water Saving Co., Ltd.\* (阿克蘇天業節水有限公司) and Kuitun Tiantun Water Saving Co., Ltd.\* (奎屯天屯節水有限責任公司) were subjected to an EIT tax rate of 15% in 2021 as they complied with the requirements of the tax concession policies of the Western Development (西部大開發).
- (2) 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. Pursuant to the Notice of Ministry of Finance, the “General Administration of Customs and the State Administration of Taxation on the Tax Policy for In-depth Implementation of the Western Development Strategy” (《財政部、海關總署、國家稅務總局產三十深入實施西部大開發戰略有關稅收政策問題的通知》), it is subjected to an EIT tax rate of 15% during 1st January, 2011 to 31st December, 2020.
- (3) Zhongxinnong Modern Water Saving Technology Company Limited (中新農現代節水科技有限公可), a subsidiary mainly engaged in promotion and application of high-efficiency water saving technology, which belongs to “Promotion and Application of High-efficiency Water Transportation, Distribution and Conservation and Irrigation Technology” of Article 18 “Water Conservancy” under the Class I “Encouraged Category” of “Catalogue for the Guidance of Industrial Restructuring” (《產業結構調整指導目錄》), was subjected to an EIT tax rate of 15% in 2021.
- (4) Other taxpayers other than the above-mentioned, were subjected to an EIT tax rate of 25% in 2021.

## 7. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share for the six months ended 30th June, 2021 are based on the net loss attributable to the owners of the parent company of approximately RMB(127,000) (net profit for the corresponding period in 2020: approximately RMB338,000) and the weight average number of 519,521,560 (for the corresponding period in 2020: 519,521,560 ordinary shares) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the two periods ended 30th June, 2020 and 2021 as there was no dilutive share outstanding during both periods.

## 8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2021 (for the corresponding period in 2020: nil).

## 9. TRADE RECEIVABLES

### (1) Aging analysis

Age	As at 30th June, 2021 RMB'000	As at 31st December, 2020 RMB'000
Within 1 year	117,953	69,438
1-2 years	51,221	60,029
2-3 years	44,972	54,605
3-4 years	8,761	8,761
4-5 years	6,823	6,823
Over 5 years	19,214	19,815
Total	<u>248,944</u>	<u>219,471</u>

### (2) Breakdown by category

Category	As at 30th June, 2021 RMB'000				
	Book balance		Bad-debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	14,249	5.72	13,396	94.01	853
Bad debt provision made in portfolio as per credit risk features	4,001	1.61	—	—	4,001
Bad-debt provision made on a group basis	<u>234,696</u>	<u>92.67</u>	<u>25,727</u>	<u>11.15</u>	<u>208,969</u>
Total	<u>252,946</u>	<u>100</u>	<u>39,123</u>	<u>15.72</u>	<u>213,823</u>

Category	As at 31st December, 2020				Carrying amount
	Book balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	14,249	6.49	13,396	94.01	853
Bad debt provision made in portfolio as per credit risk features	4,800	2.19	—	0.00	4,800
Bad-debt provision made on a group basis	200,422	91.32	28,173	14.06	172,249
<b>Total</b>	<b>219,471</b>	<b>100.00</b>	<b>41,569</b>	<b>19.36</b>	<b>177,903</b>

## 10. PRODUCTIVE BIOLOGICAL ASSETS

### Breakdown

Item	Planting Tangerines RMB'000	Total
Initial carrying amount		
Opening balance		
Increase during the period		
1) Additions	16,222	16,222
Decrease during the period		
1) Disposal		
Closing balance	25,032	25,032
Accumulated depreciation		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Provision for impairment		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Carrying amount		
Carrying amount at the end of the period	25,032	25,032
Carrying amount at the beginning of the period	8,810	8,810

## 11. TRADE PAYABLES

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

	As at 30th June, 2021 <i>RMB'000</i>	As at 31st December, 2020 <i>RMB'000</i>
Age:		
within 1 year	145,995	156,016
1-2 years	10,904	11,653
2-3 years	37,948	40,553
Over 3 years	15,045	16,078
	<u>209,892</u>	<u>224,299</u>

## 12. CAPITAL COMMITMENTS

	As at 30th June, 2021 <i>RMB'000</i>	As at 31st December, 2020 <i>RMB'000</i>
Capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>2,360</u>	<u>1,203</u>

## 13. CONNECTED TRANSACTIONS

### (a) Transactions

During the period, the Group had the following significant transactions with Xinjiang Tianye Group Limited (新疆天業(集團)有限公司) (“Tianye Holdings”, together with its subsidiaries other than the Group, “Tianye Holdings Group”):

	For the six months ended 30th June, 2021 <i>RMB'000</i>		2020 <i>RMB'000</i>
Nature of transaction/business			
Sales of finished goods	1,553		4,724
Purchase of raw materials	43,839		83,119
Rental income from premises	—		40
Rental of plant and machineries	632		688
	<u>46,024</u>		<u>88,571</u>

**(b) Compensation to key management personnel**

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

	For the six months ended	
	30th June, 2021	2020
	RMB'000	RMB'000
Directors and supervisors	402	408
Other key management personnel	874	969
Total	<u>1,276</u>	<u>1,377</u>

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

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

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

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

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

**(a) Material transactions**

	For the six months ended	
	30th June, 2021	2020
	RMB'000	RMB'000
Nature of transaction		
Sales of goods	96,457	133,378
Purchase of raw materials	140,914	121,460

**(b) Material balances**

	As at	As at
	30th June, 2021	30th June, 2020
	RMB'000	RMB'000
Bank balances	56,127	120,711
Trade and other receivables	30,343	257,808
Trade and other payables	45,741	281,557

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30th June, 2021, the unaudited total operating revenue of the Group was approximately RMB384,095,000, representing an increase of approximately 8.90% from approximately RMB352,711,000 for the corresponding period in the previous year. The increase in the total operating revenue was mainly due to an increase in sales revenue of the Company as a result of an increase in revenue from our trading activities and engineering projects.

### Gross Profit

For the six months ended 30th June, 2021, the unaudited gross profit was approximately RMB37,560,000, with gross profit margin of approximately 9.78%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB43,254,000 and approximately 12.3% respectively, representing a decrease of approximately 2.52% in gross profit margin. This was mainly due to the substantial increase in the price of raw materials for the products of the Group during the current period.

### Operating costs and expenses

Unaudited distribution costs for the six months ended 30th June, 2021 and the corresponding period in the previous year were approximately RMB17,936,000 and approximately RMB20,417,000 respectively, representing a decrease of approximately RMB2,481,000 or approximately 12.15%. The decrease in distribution costs was mainly due to the substantial decrease in the transportation costs and loading and unloading fees.

Unaudited administrative expenses for the six months ended 30th June, 2021 and the corresponding period in the previous year were approximately RMB20,803,000 and approximately RMB17,991,000 respectively, representing an increase of approximately RMB2,812,000 or approximately 15.63%.

Unaudited finance cost for the six months ended 30th June, 2021 was approximately RMB704,000, representing a decrease of approximately RMB150,000 or approximately 17.56% as compared with the unaudited finance income of approximately RMB854,000 for the corresponding period in the previous year. The decrease in finance cost was mainly due to a decrease in interest expenses as a result of a lower loan balance during the current period.

### Assets impairment loss

Unaudited assets impairment loss for the six months ended 30th June, 2021 and the corresponding period in the previous year was RMB0 and RMB1,320,000 respectively.

### **Credit impairment loss**

For the six months ended 30th June, 2021 and the corresponding period in the previous year, the Group's unaudited reversal of credit impairment loss was RMB3,305,000 and RMB1,142,000 respectively.

### **Net loss attributable to owners of the parent company**

For the six months ended 30th June, 2021, the Group recorded the unaudited net loss attributable to owners of the parent company of approximately RMB(127,000) as compared with the net profit of approximately RMB338,000 for the corresponding period in the previous year. The net loss recorded was mainly due to the rising costs as a result of the substantial increase in the price of raw materials for the products of the Company.

### **Prospect**

China is a water-stressed country. Agriculture is the larger water consumer in China, accounting for over 60% of the total water consumption in China, of which the irrigation water accounts for approximately 90%. The severe misuse and inefficient use of water resources in the traditional agricultural irrigation process has led to the increasing conflicts in agricultural water use. The Group believes that the potential of developing water-saving agricultural irrigation is becoming increasingly evident, and the water-saving irrigation industry remains one of the industries given persistent and prioritized support by the Chinese government.

The Group intends to increase the construction and promotion of high-efficiency water conservation demonstration bases by carrying out in-depth water conservation agricultural demonstration activities and establishing demonstration platforms, to drive the extension of the upstream and downstream industrial chains of the Group and expand its sales channels. The Group will also continue to increase investment in the research and development of new products and technologies to actively explore the water-saving irrigation market in the Mainland China by forming a business model combining "Engineering + Agricultural Services + Products + Trading" to enhance the Group's economic efficiency and core competitiveness in the market.

### **Liquidity, financial resources and capital structure**

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

As at 30th June, 2021, the Group had gearing ratio (which is defined as total borrowings over total equity) of 5.64% (as at 31st December, 2020: 14.07%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and had not experienced any liquidity problem for the six months ended 30th June, 2021.

## **Contingent Liabilities**

As at 30th June, 2021, the Company did not have any significant contingent liabilities.

## **Foreign currency exposure**

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

## **Employee and salary policies**

The Directors consider the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 30th June, 2021, the Group had about 540 full-time employees.

## **Retirement benefit scheme and other benefits**

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Company has no obligation in relation to the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit plans were approximately RMB4,610,000 for the six months ended 30th June, 2021.

## **Housing pension scheme**

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



### Future plan for material investment

As at 30th June, 2021, the Group had no material investment plan.

### Material acquisitions and disposals

For the six months ended 30th June, 2021, the Company acquired 34.06% of the equity interest in Urumuqi Hongrui Plastic Trade Limited in cash by capital contribution. On 26th May, 2021, the Company entered into a capital increase agreement with the Target Company, Ms. Deng, and Mr. Li, pursuant to which, the Company agreed to inject capital into the Target Company to hold 34.06% of the equity interest in the Target Company. The Target Company became the subsidiary of the Company.

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

As at 30th June, 2021, the interests and short positions of the Directors, supervisors (the “Supervisors”) and chief executive of the Company 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 Hong Kong 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 were as follows:

#### Long positions in the Company

Name	Capacity	Number of H shares of the Company held (Note 1)	Approximate	Approximate
			percentage of the total issued H shares of the Company	percentage of the total issued share capital of the Company (Note 2)
Mr. Chen Lin	Beneficial owner	564,000	0.28	0.11

## ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June, 2021 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 associated corporations.

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

### (A) Domestic Shareholders

As at 30th June, 2021, 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	Number of the domestic shares of the Company held (Note 1)	Approximate percentage of the total issued domestic shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Xinjiang Tianye Company Limited ("Tianye Company") (Note 3)	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited ("Tianye Holdings") (Note 4)	Beneficial owner Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.50% 38.91%

Notes:

1. "L" denotes the person's/entity's long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 shares (including domestic shares and H shares).
3. The domestic shares held by Tianye Company represents approximately 63.75% of the total domestic shares in issue.
4. 202,164,995 domestic shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings, which is interested in approximately 51.34% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic shares held by Tianye Company.

## (B) H Shareholders

Name	Capacity	Number of H shares of the Company held (Note 1)	Approximate percentage of the total issued H shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings Limited ("Long Thrive") (Note 3)	Beneficial owner	14,407,000 (L)	7.12%	2.77%
Mr. Ding Wei ("Mr. Ding") (Note 4)	Interest in controlled corporation	14,407,000 (L)	7.12%	2.77%
Ms. Wang Bing ("Ms. Wang") (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 represents approximately 7.12% of the total H shares in issue of the Company.
4. Long Thrive directly held 14,407,000 H shares. Long Thrive is wholly-owned by Mr. Ding. By virtue of the SFO, Mr. Ding is deemed to be interested in the 14,407,000 H shares held by Long Thrive.
5. Ms. Wang is the spouse of Mr. Ding. By virtue of SFO, Ms. Wang is deemed to be interested in the 14,407,000 H shares held by Long Thrive.

Save as disclosed above, as at 30th June, 2021, the Directors, Supervisors and chief executive of the Company were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30th June, 2021, the Directors are not aware of any business or interests of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

## **AUDIT COMMITTEE**

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved which further instills confidence in the shareholders and the public in the Group. Throughout the six months ended 30th June, 2021, the Group has complied with the requirements of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors of the Company. Following specific enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standards under the Model Code for the six months ended 30th June, 2021.

## **PRE-EMPTIVE RIGHTS**

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

## **EVENTS AFTER THE SIX MONTHS ENDED 30TH JUNE, 2021**

There were no events of the Company after the six months ended 30th June, 2021.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities for the six months ended 30th June, 2021.

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

Xinjiang, the PRC, 16th August, 2021

\* *For identification purpose only*