



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, 2022

SUMMARY

- Total operating revenue for the six months ended 30th June, 2022 was approximately RMB673,151,000, representing an increase of approximately 75.26% from approximately RMB384,095,000 for the corresponding period in the previous year.
- Unaudited net loss for the six months ended 30th June, 2022 was approximately RMB23,812,000, while net profit for the corresponding period in the previous year was approximately RMB751,000. The unaudited net loss attributable to owners of the parent company for the six months ended 30th June, 2022 was approximately RMB24,514,000, as compared with the net loss of approximately RMB127,000 for the corresponding period in the previous year.
- Basic loss per share for the six months ended 30th June, 2022 was approximately RMB0.04719 (basic loss per share for the corresponding period in 2021: RMB0.00025).
- The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2022 (for the corresponding period in 2021: nil).

FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

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, 2022, together with the comparative figures for the corresponding period in 2021. These unaudited interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
	Notes	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
1. Total operating revenue	3	673,151	384,095
Including: Other operating income		41,147	53,949
Income from principal businesses		632,004	330,146
2. Total operating cost		698,478	387,286
Including: Cost of sales		656,304	346,535
Business taxes and surcharges		1,593	2,104
Distribution costs		16,864	17,936
Administrative expenses		19,046	20,803
Research and development expenses		3,729	2,509
Finance costs		958	704
Credit impairment loss		(15)	(3,305)
Assets impairment loss		—	—
Add: Other income		1,805	3,334
Gain/(loss) from disposal of assets		(162)	85
Investment loss		(319)	(53)
3. Operating profits/(losses)		(24,003)	175
Add: Non-operating income		754	1,825
Non-operating expenses		(52)	(1)
4. Total profits	5	(23,301)	1,999
Less: Income tax expenses	6	(511)	1,248
5. Net profit/(loss)		(23,812)	751
Net (loss)/profit attributable to owners of the parent company		(24,514)	(127)
Profit/(loss) attributable to minority interests		702	878

	<i>Notes</i>	For the six months ended	
		2022	2021
		RMB'000	RMB'000
		(unaudited)	(unaudited)
		RMB	RMB
6. Profit/(loss) per share — basic	7	(0.04719)	(0.00025)
7. Other comprehensive income		—	—
8. Total comprehensive profit/(loss)		(23,812)	751
Total comprehensive profit/(loss) attributable to owners of the parent company		(24,574)	(127)
Total comprehensive loss attributable to minority interests		<u>702</u>	<u>878</u>
9. Dividend	8	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2022 <i>RMB'000</i> (unaudited)	As at 31st December, 2021 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Current assets:			
Cash		126,643	148,328
Trade receivables	9	154,476	155,090
Prepayments		51,992	26,383
Other receivables		26,171	24,638
Inventories		346,069	362,655
Other current assets		2,340	4,322
		707,691	721,416
Total current assets			
Non-current assets:			
Long-term equity investments		1,636	1,954
Fixed assets		117,811	122,149
Construction in progress		4,648	5,615
Biological assets for production	10	34,976	29,102
Right-of-use assets		47,317	47,397
Intangible assets		17,964	18,981
Development expenses		11,203	8,472
Long-term deferred expenses		7,661	7,131
Deferred income tax assets		2,606	2,606
Other non-current assets		—	153
		245,822	243,560
Total non-current assets			
		953,513	964,976
Total assets			
Current liabilities:			
Short-term borrowings		59,000	43,418
Trade payables	11	216,830	232,012
Contract liabilities		49,351	48,142
Employee remuneration payables		7,180	7,790
Taxes and levy payables		10,192	2,832
Other payables		38,620	34,918
Non-current liabilities due within one year		—	5,847
Other current liabilities		5,429	3,919
		386,602	378,878
Total current liabilities			

	As at 30th June, 2022 RMB'000 (unaudited)	As at 31st December, 2021 RMB'000 (audited)
Non-current liabilities:		
Lease liabilities	49,362	43,616
Deferred income	12,269	13,390
	<u>61,631</u>	<u>57,006</u>
Total non-current liabilities		
	<u>61,631</u>	57,006
Total liabilities	<u>448,233</u>	<u>435,884</u>
Equity of owners:		
Share capital	519,522	519,522
Capital reserve	26,198	26,198
Surplus reserves	34,724	34,724
Retained earnings	(101,029)	(76,515)
	<u>479,415</u>	<u>503,929</u>
Total equity attributable to owners of the parent company		
Minority interests	25,865	25,163
	<u>505,280</u>	<u>529,092</u>
Total equity of owners		
	<u>505,280</u>	529,092
Total liabilities and equity of owners	<u>953,513</u>	<u>964,976</u>

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the six months ended 30th June, 2022

	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, 2021	519,522	25,737	34,724	(9,679)	570,304	11,418	581,722
Total comprehensive income 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>
At 1st January, 2022	519,522	26,198	34,724	(76,515)	503,929	25,163	529,092
Total comprehensive loss for the period	—	—	—	(24,514)	(24,514)	702	(23,812)
At 30th June, 2022	<u>519,522</u>	<u>26,198</u>	<u>34,724</u>	<u>(101,029)</u>	<u>479,415</u>	<u>25,865</u>	<u>505,280</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2022

	2022 RMB'000 (unaudited)	2021 <i>RMB'000</i> (unaudited)
Net cash flow generated from operating activities	(36,171)	(46,986)
Net cash flow generated from investing activities	(150)	57
Net cash flow generated from financing activities	14,636	(13,280)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	(21,685)	(60,209)
Balance of cash and cash equivalents at 1st January	148,328	116,336
	<hr/>	<hr/>
Balance of cash and cash equivalents at 30th June	126,643	56,127
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2022

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 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 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 shares are domestic shares held by legal persons and 202,400,000 shares are overseas H shares. The Company transferred its share listing from the Growth Enterprise Market (“GEM”) of the Stock Exchange to the Main Board of the Hong Kong 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, and agricultural tapes and drippers. It engages in water-saving irrigation project construction and installation, as well as the land-based agricultural services, with an annual production capacity of 6 million tonnes of agricultural tapes, water saving drip irrigation devices and ancillary capabilities, is the first domestic one-stop water-saving irrigation service provider integrating production, research and development, sales, training, engineering services and technology export.

The Company included 13 subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd (hereinafter referred to as “Gansu Tianye”), Kuitun Tiantun Water Saving Co., Ltd* (hereinafter referred to as “Kuitun Water Saving”), Akesu Tianye Water Saving Co., Ltd* (hereinafter referred to as “Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd (hereinafter referred to as “Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd* (hereinafter referred to as “Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd* (hereinafter referred to as “Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited* (hereinafter referred to as “Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited* (hereinafter referred to as “Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (hereinafter referred to as “Xiyu Water Conservancy”), Shihezi Tianye Xiying Water Saving Device Co., Ltd.* (hereinafter referred to as “Xiying Water Saving”), Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.*(hereinafter referred to as “Liaoning Tianfu Ecological”), Urumuqi Hongrui Plastic Trade Limited (hereinafter referred to as “Hongrui Plastic”) and Xinjiang Tianye Modern Agricultural Technology Co., Ltd. (hereinafter referred to as “Agricultural Technology”) 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 as set forth 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, 2021, 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,	
	2022	2021
	RMB'000	RMB'000
Drip tapes and drip assemblies	27,211	35,918
PVC/PE pipelines	105,772	135,945
Income from trading	427,746	51,182
Provision of installation services	89,839	107,100
Other operating income	22,583	53,950
	<u>673,151</u>	<u>384,095</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,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Total profits have been arrived at after charging:		
Depreciation	5,059	7,058
and after crediting:		
Bank interest income	<u>483</u>	<u>403</u>

6. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Enterprise Income Tax (“EIT”)	<u>511</u>	<u>1,248</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 Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司) 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 Subsidiaries (including Kuitun Water Saving, Liaoning Tianye, Xiyang Water Saving, Xiyu Water Conservancy, Zhongxinnong Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Tianfu Ecological and Hongrui Plastic) are a qualified small low- profit enterprise. For the period from 1st January, 2019 to 31st December, 2021, for small and micro enterprises, the portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 25% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 50% of this portion of its taxable income.
- (3) 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 loss per share for the six months ended 30th June, 2022 are based on the net loss attributable to the owners of the parent company of approximately RMB24,514,000 (net loss for the corresponding period in 2021: approximately RMB127,000) and the weight average number of 519,521,560 (for the corresponding period in 2021: 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, 2021 and 2022 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, 2022 (for the corresponding period in 2021: nil).

9. TRADE RECEIVABLES

(1) Aging analysis

Age	As at	As at
	30th June, 2022	31st December, 2021
	RMB'000	RMB'000
Within 1 year	100,590	87,488
1-2 years	18,099	28,099
2-3 years	26,021	26,021
3-4 years	33,417	36,417
4-5 years	6,421	7,137
Over 5 years	25,116	25,116
Total	<u>209,664</u>	<u>210,278</u>

(2) Breakdown by category

Category	As at 30th June, 2022				
	<i>RMB'000</i>				
	Book balance Amount	Percentage (%)	Bad-debt Amount	provision Percentage of provision (%)	Carrying amount
Individually significant and for which bad debt provision has been separately made	27,533	13.1	24,992	45.3	2,541
Bad debt provision made in portfolio as per credit risk features	1,200	0.6	—	0.00	1,200
Bad-debt provision made on a group basis	<u>180,931</u>	<u>86.3</u>	<u>30,196</u>	<u>54.7</u>	<u>150,735</u>
Total	<u>209,664</u>	<u>100.00</u>	<u>55,188</u>	<u>100</u>	<u>154,476</u>

Category	As at 31st December, 2021				
	<i>RMB'000</i>				
	Book balance Amount	Percentage (%)	Bad-debt Amount	provision Percentage of provision (%)	Carrying amount
Individually significant and for which bad debt provision has been separately made	27,533	13.09	24,992	90.77	2,541
Bad debt provision made in portfolio as per credit risk features	4,922	2.34	—	0.00	4,922
Bad-debt provision made on a group basis	<u>177,823</u>	<u>84.57</u>	<u>30,196</u>	<u>16.98</u>	<u>147,627</u>
Total	<u>210,278</u>	<u>100.00</u>	<u>55,188</u>	<u>26.25</u>	<u>155,090</u>

10. PRODUCTIVE BIOLOGICAL ASSETS

Breakdown

Item	Planting Tangerines <i>RMB'000</i>	Total
Initial carrying amount		
Opening balance	29,102	29,102
Increase during the period	5,874	5,874
1) Additions		
Decrease during the period		
1) Disposal		
Closing balance	34,976	34,976
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	<u>34,976</u>	<u>34,976</u>
Carrying amount at the beginning of the period	<u>29,102</u>	<u>29,102</u>

11. TRADE PAYABLES

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

	As at 30th June, 2022 <i>RMB'000</i>	As at 31st December, 2021 <i>RMB'000</i>
Age:		
within 1 year	154,494	165,310
1-2 years	30,018	32,120
2-3 years	5,798	6,205
Over 3 years	<u>26,520</u>	<u>28,377</u>
	<u><u>216,830</u></u>	<u><u>232,012</u></u>

12. CAPITAL COMMITMENTS

	As at 30th June, 2022 <i>RMB'000</i>	As at 31st December, 2021 <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>1,011</u>	<u>926</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, 2022	
	<i>RMB'000</i>	2021 <i>RMB'000</i>
Nature of transaction/business		
Sales of finished goods	9,260	1,553
Purchase of raw materials	31,389	43,839
Rental income from premises	203	—
Rental of plant and machineries	<u>129</u>	<u>632</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, 2022	2021
	RMB'000	RMB'000
Directors and supervisors	224	402
Other key management personnel	599	874
Total	<u>823</u>	<u>1,276</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 of the Group with other State-controlled Entities are as follow:

(a) Material transactions

	For the six months ended	
	30th June, 2022	2021
	RMB'000	RMB'000
Nature of transaction		
Sales of goods	91,765	96,457
Purchase of raw materials	45,167	140,914
Interest expenses	1,134	—
	<u>1,134</u>	<u>—</u>

(b) Material balances

	As at	As at
	30th June, 2022	30th June, 2021
	RMB'000	RMB'000
Bank balances	126,643	56,127
Trade and other receivables	26,171	30,343
Trade and other payables	38,620	45,741
	<u>191,434</u>	<u>132,211</u>

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, 2022, the unaudited total operating revenue of the Group was approximately RMB673,151,000, representing an increase of approximately 75.26% from approximately RMB384,095,000 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, 2022, the unaudited gross profit was approximately RMB16,847,000, with gross profit margin of approximately 2.50%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB37,560,000 and approximately 9.78% respectively, representing a decrease of approximately 7.28% in gross profit margin. This was mainly due to the surge in revenue from trading activities with lower gross profit margin and the substantial increase in the price of raw materials for the products of the Group during the current period. Revenue from trading activities increased to approximately RMB427,746,000 from approximately RMB51,182,000 for the corresponding period in the previous year, accounting for 63.54% of the total operating revenue instead of 13.33%.

Operating costs and expenses

Unaudited distribution costs for the six months ended 30th June, 2022 and the corresponding period in the previous year were approximately RMB16,863,500 and approximately RMB17,936,000 respectively, representing a decrease of approximately RMB1,072,500 or approximately 5.98%. 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, 2022 and the corresponding period in the previous year were approximately RMB19,046,000 and approximately RMB20,803,000 respectively, representing a decrease of approximately RMB1,757,000 or approximately 8.44%.

Unaudited finance costs for the six months ended 30th June, 2022 was approximately RMB958,000, representing an increase of approximately RMB254,000 or approximately 36.08% as compared with the unaudited finance income of approximately RMB704,080 for the corresponding period in the previous year. The increase in finance costs was mainly due to the increase in interests expenses accrued from the increase in loans.

Assets impairment loss

Unaudited assets impairment loss for the six months ended 30th June, 2022 and the corresponding period in the previous year was RMB0 and RMB3,305,000, respectively.

Credit impairment loss

For the six months ended 30th June, 2022 and the corresponding period in the previous year, the Group's unaudited reversal of credit impairment loss was RMB15,000 and RMB0, respectively.

Net loss attributable to owners of the parent company

For the six months ended 30th June, 2022, the Group recorded the unaudited net loss attributable to owners of the parent company of approximately RMB24,514,000 as compared with the net loss of approximately RMB127,000 for the corresponding period in the previous year. The net loss recorded was mainly due to (i) the increasing operating loss caused by the greater volatility in the price of raw materials over the previous year as well as the substantial increase in operating loss compared to previous year arising from the decrease in gross profit from the principal business; (ii) the decrease in revenue from the Group's engineering projects in the first half of this year as well as the decrease in profit from engineering projects stemmed from the higher product costs due to the impact of raw material prices; and (iii) the higher product costs caused by the lower production volume of the Group due to the volatility in the price of raw materials as well as the decrease in gross profit from sales due to the decrease in sales volume.

Prospect

In the second half of the year, the Company will “precisely strive to focus on targets, highlight key takeaways, reduce costs, and enhance efficiency”. By closely keeping abreast of the development pattern of modern agriculture, we will focus on the strategic development model of “products + engineering + agricultural services + trade”. In light of the changes in market demands, we will maintain the inherent sources of profits, establish business targets, and emphasize on effective work.

China is a powerhouse of agricultural development. The targets of economic and social development for the “14th Five-Year Plan” period were proposed at the annual meetings of the Chinese People's Political Consultative Conference and the National People's Congress, as there is limited development in the agricultural and rural areas. As a result, rural revitalization shall be advanced at a comprehensive level, and resolution of the “three rural” issues shall be given top priority in the midst of the whole Party's work. In pursuit of rural revitalization characterised by Chinese socialism, the government will fully implement the rural revitalization strategy, i.e. “Strategic Plan for Rural Revitalization (2018–2022) (《鄉村振興戰略規劃(2018–2022年)》)”, under which it is planned that 1 billion mu of high-standard farmland will be developed in 2022, with an effective irrigation area of 1.05 billion mu. In line with the national rural revitalization

strategy, the Xinjiang Autonomous Region emphasizes in its “14th Five-Year Plan” development plan that the general policy of giving priority to the development of agriculture and rural areas, and the important development strategy of rural revitalization. In accordance with the Notice on Assigning Farmland Construction Tasks in 2022 (Nong Jian Fa [2021] No.7) (《關於下達2022年農田建設任務的通知》(農建發[2021]7號文)) issued by the Ministry of Agriculture and Rural Affairs, the Department of Agriculture and Rural Affairs of the Xinjiang Uygur Autonomous Region clarifies the construction tasks and promotes the construction of high-quality cotton base with a plan of building 5 million mu of high-standard cotton fields in 25 counties (cities) in 7 prefectures. The far-reaching implications of the National Water Saving Action Plan (《國家節水行動方案》) also fully reflect the importance of water saving in agricultural development. In addition, it is pointed out that great effort shall be made to promote water saving irrigation, accelerate the extended construction and modernization of irrigation areas. Furthermore, greater effort is required in constructing field water saving facilities under the high standard for farmland construction, and lean management shall be adopted for agricultural water utilisation. As the rural revitalization strategy, high-standard farmland construction, and water-saving irrigation facilities are the Company’s prowess, the Company will seize this opportunity to promote active external cooperation to enhance the quality and efficiency of the engineering segment, thereby expanding the Company’s business operation. Meanwhile, special taskforces will be assembled to focus on key projects, including the southward development, the “qanat” project in the new era, modern agricultural demonstration bases, agricultural and farming services in North China, and Guiyang production control, so as to lay a solid foundation for incremental business operations. All means shall be explored to our best ability to stabilize the inventory, with an active expansion to incremental business operations, so that the targets and missions for the year can be achieved. As a result, this will also enable the water-saving company to leap forward and achieve breakthroughs by expanding its business and improving its operating results. In return, the Company will be provided with more solid safeguards to pursue the sustainable development that yields better quality results and benefits.

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, 2022, the Group had gearing ratio (which is defined as total borrowings over total equity) of 11.68% (as at 31st December, 2021: 8.21%). 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, 2022.

Contingent Liabilities

As at 30th June, 2022, 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, 2022, 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 RMB6,124,000 for the six months ended 30th June, 2022.

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 in 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, 2022, the Group the intended to acquire the 51% equity interest of Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司) to make it become a subsidiary of the Company.

Material acquisitions and disposals

For the six months ended 30th June, 2022, the Company established Xinjiang Tianye Modern Agricultural Technology Co., Ltd. by capital contribution, which is a new wholly-owned subsidiary of the Company and principally engaged in the production and sale of water saving equipment and the provision of engineering construction services, radiating to the surrounding markets in Hotan Prefecture. Agricultural Technology is a subsidiary of the Company, which shall be included in the consolidated financial statements.

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

As at 30th June, 2022, 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:

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June, 2022 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, 2022, 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 <i>(Note 1)</i>	Approximate percentage of the total issued domestic shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Xinjiang Tianye Company Limited ("Tianye Company") <i>(Note 3)</i>	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited ("Tianye Holdings") <i>(Note 4)</i>	Beneficial owner	111,721,926 (L)	35.23%	21.50%

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 45.14% of the registered capital of Tianye Company.

(B) H Shareholders

Name	Capacity	Number of H shares of the Company held <i>(Note 1)</i>	Approximate percentage of the total issued H shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Long Thrive Holdings Limited (“Long Thrive”) <i>(Note 3)</i>	Beneficial owner	14,407,000 (L)	7.12%	2.77%
Mr. Ding Wei (“Mr. Ding”) <i>(Note 4)</i>	Interest in controlled corporation	14,407,000 (L)	7.12%	2.77%
Ms. Wang Bing (“Ms. Wang”) <i>(Note 5)</i>	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, 2022, 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, 2022, 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, 2022, 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, 2022.

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, 2022

There were no events of the Company after the six months ended 30th June, 2022.

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, 2022.

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

Xinjiang, the PRC, 16th August, 2022

* *For identification purpose only*