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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: 00840)

AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2024

RESULTS REVIEW

- The operating income for the year ended 31st December, 2024 was approximately RMB1,498,562,000, a decrease of approximately 32.44% from RMB2,218,204,000 for the year of 2023.
- The net loss attributable to the parent for the year ended 31st December, 2024 was approximately RMB39,536,000 (2023: net loss attributable to the parent of approximately RMB7,358,000).
- Basic and diluted loss per share for the year was approximately RMB0.08 (2023: loss of approximately RMB0.01).

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st December, 2024, together with the comparative figures for the corresponding period in 2023 as follows. These audited annual financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2024

Item	Notes	Current period RMB	Corresponding period last year (Adjusted) RMB
I. Total operating income		1,498,561,932.18	2,218,203,885.15
Including: Operating income	6	1,498,561,932.18	2,218,203,885.15
II. Total operating costs		1,550,051,247.91	2,216,522,358.37
Including: Cost of sales	6	1,448,129,163.08	2,115,783,426.73
Taxes and surcharges		6,206,335.95	5,445,695.44
Distribution costs	7	20,292,689.28	23,908,254.29
Administrative expenses	8	56,292,650.86	51,321,279.63
Research and development expenses		15,104,789.35	18,441,709.46
Finance costs	9	4,025,619.39	1,621,992.82
Add: Other gains		11,759,106.85	12,806,467.24
Investment loss		-577,693.13	-603,186.29
Credit impairment loss	10	7,773,581.84	-205,371.78
Assets impairment loss	11	-9,551,574.81	-19,661,330.80
Gain on disposal of assets		0.00	4,839,101.68

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2024

Item	Notes	Current period RMB	Corresponding period last year (Adjusted) RMB
III. Operating profits (loss is denoted as “-”)		-42,085,894.98	-1,142,793.17
Add: Non-operating income		4,587,492.82	5,073,418.01
Less: Non-operating charges		2,085,498.65	2,940,533.90
IV. Total profits (loss is denoted as “-”)		-39,583,900.81	990,090.94
Less: Income tax expenses	12	5,214,888.35	7,255,768.32
V. Net profits (loss is denoted as “-”)		-44,798,789.16	-6,265,677.38
(I) 1. Net profits from continuing operation (loss is denoted as “-”)		-44,798,789.16	-6,265,677.38
2. Net profits from discontinued operation (loss is denoted as “-”)		0.00	0.00
(II) 1. Net profits attributable to owners of the parent company (loss is denoted as “-”)		-39,535,871.71	-7,357,582.60
2. Minority interests (loss is denoted as “-”)		-5,262,917.45	1,091,905.22
VI. Earnings per share:			
(I) Basic earnings per share (loss is denoted as “-”)	14	-0.08	-0.01
(II) Diluted earnings per share (loss is denoted as “-”)	14	-0.08	-0.01
VII. Other comprehensive income		0.00	0.00
VIII. Total comprehensive income (loss is denoted as “-”)		-44,798,789.16	-6,265,677.38
Total comprehensive income attributable to owners of the parent company (loss is denoted as “-”)		-39,535,871.71	-7,357,582.60
Total comprehensive income attributable to minority shareholders (loss is denoted as “-”)		-5,262,917.45	1,091,905.22

CONSOLIDATED BALANCE SHEET

As at 31st December, 2024

Item	Notes	Current period RMB	Closing balance at the end of last year (Restated) RMB	Opening balance at the beginning of last year (Restated) RMB
Current assets:				
Cash		422,324,054.34	342,509,536.23	238,829,626.36
Trade receivables	15	252,539,231.04	161,535,918.34	152,022,681.98
Receivables financing		3,273,014.02	6,718,413.01	8,510,375.00
Prepayments	16	72,020,140.85	30,431,680.31	43,115,930.21
Other receivables		21,796,549.11	50,466,035.32	61,448,348.71
Inventories	17	168,559,209.41	258,129,517.76	347,121,169.78
Contract assets		68,524,296.15	162,474,462.64	0.00
Other current assets		12,412,877.64	13,648,096.83	7,955,741.05
Total current assets		<u>1,021,449,372.56</u>	<u>1,025,913,660.44</u>	<u>859,003,873.09</u>
Non-current assets:				
Long-term equity investment	18	134,266.57	711,959.70	1,315,145.99
Fixed assets		108,178,851.36	102,825,587.81	123,923,841.25
Construction-in-progress	19	1,722,536.19	11,099,532.50	8,545,947.82
Productive biological assets	20	34,473,017.48	35,339,815.58	33,143,983.98
Right-of-use assets	21	41,192,029.10	42,634,886.04	41,691,182.20
Intangible assets		16,117,998.47	18,120,479.38	17,422,707.38
Development expenses		0.00	3,588,341.35	10,568,709.31
Long-term deferred expenses		5,549,164.40	5,343,934.73	6,077,296.39
Deferred income tax assets	22	4,129,814.17	3,675,965.69	3,224,647.31
Other non-current assets		0.00	0.00	50,000.00
Total non-current assets		<u>211,497,677.74</u>	<u>223,340,502.78</u>	<u>245,963,461.63</u>
Total assets		<u><u>1,232,947,050.30</u></u>	<u><u>1,249,254,163.22</u></u>	<u><u>1,104,967,334.72</u></u>

CONSOLIDATED BALANCE SHEET

As at 31st December, 2024

Item	Notes	Current period RMB	Closing balance at the end of last year (Restated) RMB	Opening balance at the beginning of last year (Restated) RMB
Current liabilities:				
Short-term borrowings		14,991,773.02	73,971,851.76	89,105,813.89
Bill payables	23	0.00	1,000,000.00	0.00
Trade payables	24	452,530,564.05	439,958,267.49	341,609,980.68
Contract liabilities		181,424,245.48	145,116,705.21	52,144,039.26
Employee remuneration payables		5,647,622.44	5,864,555.49	6,985,864.85
Tax and levy payables	25	7,643,636.04	4,959,317.44	8,717,668.27
Other payables		47,678,873.20	42,044,875.44	43,937,304.96
Non-current liabilities due within one year		3,828,729.32	3,092,473.24	2,676,912.83
Other current liabilities		2,202,348.64	7,617,561.80	4,128,521.64
Total current liabilities		<u>715,947,792.19</u>	<u>723,625,607.87</u>	<u>549,306,106.38</u>
Non-current liabilities:				
Long-term borrowings		49,900,000.00	0.00	0.00
Lease liabilities		43,533,204.43	43,926,450.34	41,242,207.43
Deferred income		13,443,645.31	5,959,430.95	16,224,673.93
Deferred income tax liabilities	22	114,240.29	36,000.00	99,608.62
Total non-current liabilities		<u>106,991,090.03</u>	<u>49,921,881.29</u>	<u>57,566,489.98</u>
Total liabilities		<u>822,938,882.22</u>	<u>773,547,489.16</u>	<u>606,872,596.36</u>
Equity of owners:				
Share capital		519,521,560.00	519,521,560.00	519,521,560.00
Capital reserve		52,931,858.62	73,093,758.62	89,216,445.54
Special reserve		32,735.56	300.00	0.00
Surplus reserve		34,724,097.27	34,724,097.27	34,724,097.27
Undistributed profits (loss is denoted as “-”)		-225,492,586.33	-185,956,714.62	-178,599,132.02
Total equity attributable to owners of the parent company		<u>381,717,665.12</u>	<u>441,383,001.27</u>	<u>464,862,970.79</u>
Minority interests		<u>28,290,502.96</u>	<u>34,323,672.79</u>	<u>33,231,767.57</u>
Total equity of owners		<u>410,008,168.08</u>	<u>475,706,674.06</u>	<u>498,094,738.36</u>
Total liabilities and equity of owners		<u><u>1,232,947,050.30</u></u>	<u><u>1,249,254,163.22</u></u>	<u><u>1,104,967,334.72</u></u>

Note: The change in the closing balance at the end of last year arose from the business combination under common control of Beijing Tianye.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

Expressed in RMB

1. CORPORATE BACKGROUND

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 Unified Social Credit Identifier of the Company’s current Business License 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 held by domestic legal persons and 202,400,000 shares are overseas H shares. The Company transferred its share listing from the Growth Enterprise Market of the Hong Kong 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 shareholding structure of the Company is: 60.42% of the Company’s share is held by Tianye Group; 0.46% of the Company’s share is held by China Academy of Machinery Science and Technology Group Co., Ltd.* (中國機械科學總院集團有限公司); 0.16% of the Company’s share is held by Shihezi State-owned Assets Management (Group) Co., Ltd. (石河子國有資產經營(集團)有限公司); 38.96% of all issued capital of the Company is held by H Shareholders (shareholders of foreign listed foreign investment shares).

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 films and drippers. It engages in water-saving irrigation project construction and installation, with an annual production capacity of 6 million tonnes of agricultural films, water saving drip irrigation devices and ancillary capabilities. It is the first domestic one-stop water-saving irrigation service provider integrating production, research and development, sales, training, engineering services and technology export.

These financial statements had been approved by the twenty-second meeting of the seventh session of the Board on 28th March, 2025 for publication.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

1. CORPORATE BACKGROUND (Continued)

The Company included 17 subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水有限公司) (hereinafter referred to as “Gansu Tianye”), Xinjiang Tiantun Supply Chain Co., Ltd* (新疆天屯供應鏈有限公司) (hereinafter referred to as “Tiantun Supply Chain”), Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司) (hereinafter referred to as “Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司) (hereinafter referred to as “Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司) (hereinafter referred to as “Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd* (新疆天業南疆節水農業有限公司) (hereinafter referred to as “Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited* (中新農現代節水科技有限公司) (hereinafter referred to as “Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited* (新疆天業智慧農業科技有限公司) (hereinafter referred to as “Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (石河子西域水利水電建築安裝工程有限責任公司) (hereinafter referred to as “Xiyu Water Conservancy”), Shihezi City Tianye Xiying Water Saving Device Co., Ltd.* (石河子市天業西營節水器材有限責任公司) (hereinafter referred to as “Xiying Water Saving”), Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.* (遼寧天阜生態農業發展集團有限公司) (hereinafter referred to as “Tianfu Ecological”), Xinjiang Hongrui Huixin New Material Technology Co., Ltd.* (新疆泓瑞匯鑫新材料科技有限公司) (hereinafter referred to as “Hongrui Huixin”), Xinjiang Tianye Modern Agricultural Technology Co., Ltd.* (新疆天業現代農業科技有限公司) (hereinafter referred to as “Modern Agricultural”), Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子絲路天楊預拌砂有限公司) (hereinafter referred to as “Silu Tianyang”), Xinjiang Tianbei Runtong Construction Engineering Co., Ltd.* (新疆天北潤通建設工程有限公司) (hereinafter referred to as “Tianbei Runtong”), Henan Tianye Modern Agricultural Technology Co., Ltd.* (河南天業現代農業科技有限公司) (hereinafter referred to as “Henan Tianye”), and Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* (北京天業國際農業工程科技有限公司) (hereinafter referred to as “Beijing Tianye”) 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

These financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises — Basic Standards” promulgated by the Ministry of Finance and various specific accounting standards, the application guidelines on enterprise accounting standards, the interpretation of accounting standards for business enterprises and other relevant requirements (hereinafter referred to as the “Accounting Standards for Business Enterprises”), and relevant requirements of the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Requirements of Financial Report” promulgated by China Securities Regulatory Commission.

In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities promulgated by the Stock Exchange of Hong Kong Limited, and also comply with the applicable disclosure requirements of the Companies Ordinance of Hong Kong.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Continue as a going concern

These financial statements are prepared on a going concern basis.

Upon evaluation, there is no event of the Company which casts material doubts to the going concern abilities for 12 months from the end of the reporting period.

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The below disclosure has covered the Company's specific accounting policies and accounting estimates formulated based on actual production and operation characteristics.

3.1 Statement of compliance with the Accounting Standards for Business Enterprises

These financial statements are in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance, and give a true and complete view on the consolidated and parent company's financial position as at 31st December, 2024 as well as the consolidated and parent company's operating results and cash flow for year 2024 for the Company.

3.2 Accounting Period

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

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company adopts Renminbi as the functional currency.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.5 Accounting treatment for business combinations under and not under common control

Accounting treatment for business combinations under common control: Assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) obtained by the acquiring party in business combinations are measured at the carrying amounts of assets and liabilities attributable to the combined party as recorded in the consolidated financial statement of the ultimate controlling party at the date of combination. Based on the difference between the carrying amount of net asset obtained in the combination and the carrying amount (or the total nominal amount of issued shares) of combination consideration paid, the share capital premium in the capital reserve is adjusted. If the share capital premium in the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

Accounting treatment for business combinations not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and the fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. The excess of the cost of combination over the fair value of the attributable net identifiable assets of the acquiree acquired in the combination is recognized as goodwill. Where the cost of combination is less than the fair value of the attributable net identifiable assets of the acquiree acquired in the combination, the difference is included in profit or loss for the current period. All identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the combination which satisfy recognition conditions are measured at fair value at the acquisition date.

Direct expenses arising in relation to business combination are included in profit or loss for the current period at its occurrence. Transaction fees of the issuance of equity securities or debt securities issued for business combination are included at the initial recognized amount of such equity securities or debt securities.

3.6 Criteria for determining control and preparation method of consolidated financial statements

1. *Criteria for determining control*

The consolidation scope of consolidated financial statements is determined based on control, and it includes the Company and all subsidiaries. Control exists when the Company has the power over the investee and rights to variable returns from its involvement in the relevant activities of the investee and has the ability to affect those returns through its power over the investee.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.6 Criteria for determining control and preparation method of consolidated financial statements (Continued)

2. Consolidation procedures

When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group based on the consistent accounting policies. The impact of internal transactions between the Company and its subsidiaries, and among its subsidiaries, shall be offset. If internal transactions indicate impairment losses on relevant assets, such losses shall be recognized in full. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements.

Owners' equity, net profit or loss of the current period and comprehensive income attributable to minority shareholders of the current period of subsidiaries are stated separately under owners' equity in the consolidated balance sheet, net profits and total comprehensive income in the consolidated income statement respectively. Loss of the current period assumed by minority shareholders of a subsidiary in excess of minority shareholders' share of owners' equity in that subsidiary at the beginning of the period is offset against minority interests.

3.7 Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

(1) Implementation of "Interpretation No. 17 of the Accounting Standards for Business Enterprises"

The Ministry of Finance promulgated "Interpretation No. 17 of the Accounting Standards for Business Enterprises" (Cai Kuai [2023] No. 21) (hereinafter referred to as "Interpretation No. 17") on 25th October, 2023.

① Division between Current Liabilities and Non-current Liabilities

Interpretation No. 17 clearly states that:

- If a business enterprise does not have a substantive right at the balance sheet date to defer settlement of a liability for more than one year after the balance sheet date, the liability shall be classified as a current liability.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.7 Changes in significant accounting policies and accounting estimates (Continued)

1. Changes in significant accounting policies (Continued)

(1) Implementation of “No. 17 of the Accounting Standards for Business Enterprises Interpretation” (Continued)

① Division between Current Liabilities and Non-current Liabilities (Continued)

- For liabilities arising from a business enterprise’s loan arrangement, the enterprise’s right to defer settlement of the liability for more than one year after the balance sheet date may depend on whether or not the business enterprise has complied with the conditions stipulated in the loan arrangement (hereinafter referred to as the covenants), and the business enterprise, in determining whether or not it has a substantive right to defer settlement of the liability, shall only take into account the covenants that should have been complied with on or before the balance sheet date, and shall not take into account the covenants that should be complied with by the business enterprise after the balance sheet date.
- Settlement of a liability for the purpose of classifying a liability based on liquidity means that the business enterprise discharges the liability by transferring cash, other economic resources (such as goods or services) or the business enterprise’s own equity instruments to the counterparty. If the terms of the liability result in the business enterprise settling the liability by delivering its own equity instruments at the option of the counterparty, and if the business enterprise classifies the above option as an equity instrument and recognizes it separately as an equity component of a compound financial instrument in accordance with the requirements of the “Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments”, such terms of the liability shall not affect the liquidity classification of the liability.

The requirements of such interpretation have been effective since 1st January, 2024. When the enterprise implements the requirements of such interpretation for the first time, it shall make adjustments to information of comparable periods in accordance with the requirements of such interpretation. The implementation of such requirements does not have material impact on the financial position and the operating results of the Company.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.7 Changes in significant accounting policies and accounting estimates (Continued)

1. Changes in significant accounting policies (Continued)

(1) Implementation of “No. 17 of the Accounting Standards for Business Enterprises Interpretation” (Continued)

② Disclosure of Supplier Financing Arrangements

Pursuant to the requirements of Interpretation No. 17, when making disclosure in notes, a business enterprise shall summarize and disclose information about supplier financing arrangements to assist users of the statements in assessing the impact of these arrangements on the liabilities, cash flows and exposure to liquidity risk of the business enterprise. The impact of supplier financing arrangements should also be considered when identifying and disclosing information about liquidity risk. The disclosure requirement applies only to supplier financing arrangements. A supplier financing arrangement is a transaction with the following characteristics: one or more financing providers providing funds for the payment of business enterprise’s amounts due to its suppliers, with an agreement that the business enterprise shall make repayment to the finance providers in accordance with the terms and conditions of the arrangement on or after the date the business enterprise receives payment from its suppliers. The supplier financing arrangement extended the payment period for the business enterprise or advanced the collection period for the suppliers of the business enterprise compared to the original due date of payment. The requirements of such interpretation have been effective since 1st January, 2024. When the business enterprise implements the requirements of such interpretation for the first time, it is not required to disclose relevant information for comparable periods and certain information for the beginning of the period. The implementation of such requirements does not have material impact on the financial position and the operating results of the Company.

③ Accounting Treatment for Sale and Leaseback Transactions

Pursuant to the requirements of Interpretation No. 17, when a lessee subsequently measures a lease liability arising from sale and leaseback, the manner in which it determines the amount of the lease payments or the amount of the lease payments after the change shall not result in the recognition of a gain or loss relating to the right of use acquired in connection with the leaseback. A business enterprise shall make retrospective adjustments to sale and leaseback transactions initiated after the date of initial implementation of the “Accounting Standards for Business Enterprises No. 21 — Leasing” when implementing this requirement for the first time.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.7 Changes in significant accounting policies and accounting estimates (Continued)

1. Changes in significant accounting policies (Continued)

(1) *Implementation of “No. 17 of the Accounting Standards for Business Enterprises Interpretation” (Continued)*

③ Accounting Treatment for Sale and Leaseback Transactions (Continued)

The requirements of such interpretation have been effective since 1st January, 2024, and business enterprises are allowed for early adoption subsequent to the year of promulgation. The implementation of such requirements does not have material impact on the financial position and the operating results of the Company.

(2) *Implementation of the “Interim Provisions on Accounting Treatment of Enterprise Data Resources”*

The Ministry of Finance issued the “Interim Provisions on Accounting Treatment of Enterprise Data Resources” (Cai Kuai [2023] No. 11) on 1st August, 2023, which is applicable to data resources recognized as assets such as intangible assets and inventories when these meet relevant requirements in accounting standards for business enterprises, and data resources legally owned or controlled by the business enterprises that are expected to bring economic benefits to the business enterprises when they have not been recognized as they do not meet the criteria for recognition of assets. These provisions also provide specific requirements for disclosure of data resources.

These provisions have been effective since 1st January, 2024 and the business enterprise shall adopt them prospectively with no adjustment to be made on the expenses relating to the financial data expensed and charged to profit or loss before the effective date of these provisions. The implementation of such requirements does not have material impact on the financial position and the operating results of the Company.

(3) *Implementation of the provision of “Interpretation No. 18 of Accounting Standards for Business Enterprises” “Accounting for assurance-type quality warranties which do not constitute distinct performance obligation”*

The Ministry of Finance issued the “Interpretation No. 18 of Accounting Standards for Business Enterprises” (Cai Kuai [2024] No. 24, hereinafter referred to as “Interpretation No. 18”) on 6th December, 2024. Such interpretation became effective upon issuance, with early adoption permitted for business enterprises subsequent to the year of issuance.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

3.7 Changes in significant accounting policies and accounting estimates (Continued)

1. Changes in significant accounting policies (Continued)

- (3) *Implementation of the provision of “Interpretation No. 18 of Accounting Standards for Business Enterprises” “Accounting for assurance-type quality warranties which do not constitute distinct performance obligation” (Continued)*

Interpretation No. 18 stipulates that when accounting for estimated liabilities arising from assurance-type quality warranties which do not constitute distinct performance obligation, business enterprises shall debit accounts such as “cost of principal businesses” and “other operating costs,” and credit the “estimated liabilities” account, based on the determined amount of the estimated liabilities, in accordance with “Accounting Standards for Business Enterprises No. 13 — Contingencies”. These amounts shall be presented under “cost of sales” in the income statement, and “other current liabilities,” “non-current liabilities due within one year,” or “estimated liabilities” in the balance sheet correspondingly.

For business enterprises applying the interpretation for the first time, if assurance-type quality warranties were previously recognized in accounts such as “distribution costs,” retrospective adjustments shall be made in accordance with accounting policy changes. The Company has implemented such requirements since 2024, and the implementation of such requirements does not have material impact on the financial position and the operating results of the Company.

2. Changes in significant accounting estimates

There was no change in the Company’s significant accounting estimates during the reporting period.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

4. TAXATION

Disclosure of taxable entities with different enterprise income tax rates

Name of taxable entity	Income tax rate (%)
The Company, Gansu Tianye, Akesu Tianye, Tiancheng Water Saving, Zhongxinnong Water Saving and Xiyu Water Conservancy	15
Tiantun Supply Chain, Liaoning Tianye, Xiying Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Hongrui Huixin, Modern Agricultural, Henan Tianye and Tianbei Runtong	20
Silu Tianyang, Tianfu Ecological and Beijing Tianye	25

Income tax

- (1) On 9th November, 2023, the Company obtained the high-tech enterprise certificate with the certificate number of GR202365000655 for a term of three years and was entitled to a preferential tax treatment of enterprise income tax at a reduced tax rate of 15% in 2024.
- (2) The Company's subsidiaries, Gansu Tianye, Akesu Tianye, Tiancheng Water Saving, Zhongxinnong Water Saving and Xiyu Water Conservancy were subject to an enterprise income tax at a tax rate of 15% in 2024 as they complied with the requirements of the preferential tax policies of the Western Development.
- (3) Pursuant to the relevant requirements of the Notice on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Businesses (Cai Shui 2023 No. 6), from 1st January, 2023 to 31st December, 2024, for the portion of annual taxable income not exceeding RMB1 million of small enterprises with little profit, a reduced rate of 25% was included in taxable income and enterprise income tax was paid at a rate of 20%.

Pursuant to the relevant requirements of the Notice of the Ministry of Finance and the State Taxation Administration on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises (Cai Shui 2022 No. 13), from 1st January, 2022 to 31st December, 2024, for the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million of small enterprises with little profit, a reduced rate of 25% was included in taxable income and enterprise income tax was paid at a rate of 20%.

The above preferential taxation policies are applicable to subsidiaries including Tiantun Supply Chain, Liaoning Tianye, Xiying Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Hongrui Huixin, Modern Agricultural, Henan Tianye and Tianbei Runtong.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

5. CHANGE IN THE SCOPE OF CONSOLIDATION

Business combinations under common control

(1) Business combinations under common control occurred in the current period

Name of the combined party	Percentage of interest obtained in business combinations	Basis for business combinations under common control	Date of combination	Basis for determining the date of combination	Revenue of the combined party from the beginning of the period of combination to the date of combination	Net profits of the combined party from the beginning of the period of combination to the date of combination	Revenue of the combined party during the comparative period	Net profit of the combined party during the comparative period
Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.	100%	The transferor and the Company have the same ultimate controller	2024/1/31	Confirmation of Delivery of Equity	0.00	33,478.36	0.00	3,976,874.05

(2) Cost of combination

Item	Beijing Tianye
Cash	20,161,900.00
Carrying amount of non-cash assets	0.00
Carrying amount of debts issued or committed	0.00
Nominal value of equity securities issued	0.00
Contingent consideration	0.00
Total cost of combination	<u>20,161,900.00</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

5. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

(3) Carrying amounts of assets and liabilities of the combined party at the date of combination

Item	Beijing Tianye	
	At the date of combination	End of the previous period
Assets:	29,962,697.65	30,469,340.22
Cash	1,712,388.92	1,714,626.69
Receivables	26,496,061.85	27,000,085.22
Other current assets	801,951.70	802,289.33
Fixed assets	41,990.71	42,034.51
Deferred income tax assets	910,304.47	910,304.47
Liabilities:	5,113,354.17	5,653,475.10
Payables	4,953,365.36	5,358,162.32
Employee remuneration payables	26,063.95	19,944.95
Tax and levy payables	288.19	141,731.16
Other current liabilities	133,636.67	133,636.67
Net assets	<u>24,849,343.48</u>	<u>24,815,865.12</u>
Less: Minority interests	<u>0.00</u>	<u>0.00</u>
Net assets obtained	<u>24,849,343.48</u>	<u>24,815,865.12</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

5. CHANGE IN THE SCOPE OF CONSOLIDATION (Continued)

Business combinations under non-common control

(1) Business combinations under non-common control occurred in the current period

Name of the acquired party	Point of time for equity acquisition	Cost of equity acquisition	Percentage of equity obtained (%)	Way of equity acquisition	Date of acquisition	Basis for determining the date of acquisition	Revenue of the acquired party from the date of acquisition to the end of the period	Net profits of the acquired party from the date of acquisition to the end of the period	Cash flow of the acquired party from the date of acquisition to the end of the period
Tianbei Runtong	1st January, 2024	1.00	51.00	Business combination under non-common control	1st January, 2024	Letter of equity transfer		-103,314.89	-93,964.30

(2) Cost of combination and goodwill

	Tianbei Runtong
Cost of combination	
— Cash	1.00
— Fair value of non-cash assets	
— Fair value of debts issued or committed	
— Fair value of equity securities issued	
— Fair value of contingent consideration	
— Fair value of equity held before the date of acquisition at the date of acquisition	
— Others	
Total cost of combination	1.00
Less: share of fair value of identifiable net assets obtained	-31,487.17
Goodwill	<u>31,488.17</u>

(3) Carrying amounts of identifiable assets and liabilities of the acquired party at the date of acquisition

	Tianbei Runtong	
	Fair value at the date of acquisition	Carrying amount at the date of acquisition
Assets:	453,260.45	453,260.45
Cash	453,260.45	453,260.45
Liabilities:	515,000.00	515,000.00
Payables	515,000.00	515,000.00
Net assets	-61,739.55	-61,739.55
Less: Minority interests	-30,252.38	-30,252.38
Net assets obtained	<u>-31,487.17</u>	<u>-31,487.17</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

6. OPERATING INCOME/COST OF SALES

(1) Breakdown

Item	Current period		Corresponding period last year (Adjusted)	
	Income	Cost	Income	Cost
Principal businesses	1,455,896,031.92	1,414,282,145.00	2,141,422,887.35	2,061,515,050.98
Other businesses	42,665,900.26	33,847,018.08	76,780,997.80	54,268,375.75
Total	<u>1,498,561,932.18</u>	<u>1,448,129,163.08</u>	<u>2,218,203,885.15</u>	<u>2,115,783,426.73</u>
Of which: income generated from contracts with customers	<u>1,494,419,104.17</u>	<u>1,445,090,689.29</u>	<u>2,214,867,142.75</u>	<u>2,114,255,815.95</u>

(2) Breakdown of income generated from contracts with customers by types of goods or services

Item	Current period		Corresponding period last year (Adjusted)	
	Income	Cost	Income	Cost
Project income	578,051,507.54	567,036,834.40	1,044,235,190.33	1,015,487,134.07
Trading income	501,559,971.23	497,858,325.27	615,255,583.23	610,449,470.95
PVC pipes/PE pipes	301,007,898.33	277,551,748.21	341,020,510.79	307,964,351.53
Building materials	21,888,310.35	24,215,246.12	80,625,646.48	71,960,940.95
Drip films, drip tapes and drip assemblies	53,388,344.47	47,619,991.00	60,285,956.52	55,653,153.48
Other businesses	38,523,072.25	30,808,544.29	73,444,255.40	52,740,764.97
Total income generated from contracts with customers	<u>1,494,419,104.17</u>	<u>1,445,090,689.29</u>	<u>2,214,867,142.75</u>	<u>2,114,255,815.95</u>

(3) Breakdown of income generated from contracts with customers by regions of operation

Item	Current period	Corresponding period last year (Adjusted)
Domestic	<u>1,494,419,104.17</u>	<u>2,214,867,142.75</u>
Sub-total	<u>1,494,419,104.17</u>	<u>2,214,867,142.75</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

7. DISTRIBUTION COSTS

Item	Current period	Corresponding period last year (Adjusted)
Salaries, benefits and social security contributions	14,863,916.49	14,412,395.62
Sales service fees	2,879,746.72	3,992,479.32
Materials consumption fees	87,104.12	770,062.27
Tender fees	420,979.97	986,521.29
Travel expenses	762,095.02	766,972.15
Rental expenses	140,270.76	165,324.04
Depreciation charge	527,524.53	535,223.55
Others	611,051.67	2,279,276.05
Total	<u>20,292,689.28</u>	<u>23,908,254.29</u>

8. ADMINISTRATIVE EXPENSES

(1) Breakdown

Item	Current period	Corresponding period last year (Adjusted)
Salaries benefits	37,148,470.58	28,830,410.19
Depreciation and amortization charge	5,214,243.10	5,621,477.21
Losses from work suspension	1,948,310.05	827,352.57
Agency service fees	3,711,774.15	5,447,757.57
Travel expenses	1,441,181.56	1,203,582.98
Rental expenses	1,459,128.93	754,406.68
Service fees	990,829.94	747,412.49
Water, electricity and heating expenses	844,989.89	724,269.96
Office costs	522,033.91	569,570.98
Car expenses	517,914.26	441,118.79
Others	2,493,774.49	6,153,920.21
Total	<u>56,292,650.86</u>	<u>51,321,279.63</u>

- (2) Included in the administrative expenses for the year was RMB0.73 million of auditor's remuneration (2023: RMB0.73 million).

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2024

9. FINANCE COSTS

Item	Current period	Corresponding period last year (Adjusted)
Interest expenses	4,520,225.95	3,309,026.54
Including: Interest expenses of lease liabilities	669,898.52	347,114.25
Less: Interest income	657,253.64	1,859,649.89
Commission	162,647.08	172,616.17
Total	<u>4,025,619.39</u>	<u>1,621,992.82</u>

10. CREDIT IMPAIRMENT LOSS

Item	Current period	Corresponding period last year (Adjusted)
Bad debt loss	-7,773,581.84	205,371.78
Total	<u>-7,773,581.84</u>	<u>205,371.78</u>

11. ASSETS IMPAIRMENT LOSS

Item	Current period	Corresponding period last year (Adjusted)
Inventory impairment loss and contract performance cost impairment loss	8,524,025.69	10,834,394.76
Contract assets impairment loss	-16,992.39	1,517,338.48
Fixed assets impairment loss	1,013,053.34	7,309,597.56
Goodwill impairment loss	31,488.17	0.00
Total	<u>9,551,574.81</u>	<u>19,661,330.80</u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2024

12. INCOME TAX EXPENSES

(1) Breakdown

Item	Current period	Corresponding period last year (Adjusted)
Current income tax charges	5,590,496.54	7,770,695.32
Deferred income tax charges	-375,608.19	-514,927.00
Total	<u>5,214,888.35</u>	<u>7,255,768.32</u>

(2) Reconciliation between accounting profits and income tax expenses

Item	Current period	Corresponding period last year (Adjusted)
Total profits	-39,583,900.81	990,090.94
Income tax expenses calculated at the statutory or applicable tax rates	-5,937,585.12	148,513.64
Effect of different tax rates applicable to subsidiaries	-1,254,271.26	1,534,093.87
Effect of adjustments to income tax for prior periods	1,602,153.10	3,133,466.97
Effect of non-deductible costs, expenses and losses	-77,301.30	-189,894.82
Effect of deductible losses that have not been recognized for deferred income tax assets during the prior period	-27,514.55	-1,110,834.19
Effect of deductible temporary differences or deductible losses that have not been recognized for deferred income tax assets during the period (<i>Note</i>)	11,711,825.59	4,776,937.80
Profit or loss attributable to joint ventures and associates	86,653.97	90,477.94
Tax effect of additional deduction	-686,484.77	-557,951.37
Others	-202,587.30	-569,041.52
Income tax expenses	5,214,888.35	7,255,768.32

(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 2024 and 2023.

13. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2024 (2023: Nil).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

14. CALCULATION OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profits attributable to the ordinary shareholders of the parent company by weighted average number of outstanding ordinary shares of the Company:

Item	Current period	Corresponding period last year (Adjusted)
Consolidated net profits attributable to the ordinary shareholders of the parent company	-39,535,871.71	-7,357,582.60
Weighted average number of outstanding ordinary shares of the Company	519,521,560.00	519,521,560.00
Basic earnings per share	-0.08	-0.01
Including: Basic earnings per share from continuing operations	-0.08	-0.01
Basic earnings per share from discontinued operations	0.00	0.00

(2) Calculation of diluted earnings per share

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

15. TRADE RECEIVABLES

(1) Trade receivables disclosed by age:

Age	Closing balance	Opening balance (Adjusted)
Within 1 year (inclusive, same for below)	199,529,361.17	101,043,813.85
1-2 years	24,641,457.56	26,950,858.64
2-3 years	17,544,870.06	21,609,479.27
3-4 years	16,194,110.72	14,610,908.23
4-5 years	12,186,916.15	20,615,272.77
Over 5 years	41,573,480.10	45,035,976.59
Sub-total	311,670,195.76	229,866,309.35
Less: provision for bad debt	59,130,964.72	68,330,391.01
Total	252,539,231.04	161,535,918.34

Note: The aging analysis of trade receivables is based on the actual month of occurrence of the amount. For those amounts which incur earlier, settlement would be prioritized in the course of capital turnover.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

15. TRADE RECEIVABLES (Continued)

(2) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Bad-debt provision Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	20,826,018.81	6.68	20,826,018.81	100.00	0.00
Bad-debt provision based on portfolio	<u>290,844,176.95</u>	<u>93.32</u>	<u>38,304,945.91</u>	<u>13.17</u>	<u>252,539,231.04</u>
Total	<u><u>311,670,195.76</u></u>	<u><u>100.00</u></u>	<u><u>59,130,964.72</u></u>	<u><u>18.97</u></u>	<u><u>252,539,231.04</u></u>

Category	Closing balance at the end of last year (Adjusted)		Closing balance		Carrying amount
	Book balance Amount	Percentage (%)	Bad-debt provision Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	21,757,868.93	9.47	21,757,868.93	100.00	0.00
Bad-debt provision based on portfolio	<u>208,108,440.42</u>	<u>90.53</u>	<u>46,572,522.08</u>	<u>22.38</u>	<u>161,535,918.34</u>
Total	<u><u>229,866,309.35</u></u>	<u><u>100.00</u></u>	<u><u>68,330,391.01</u></u>	<u><u>29.73</u></u>	<u><u>161,535,918.34</u></u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

16. PREPAYMENTS

(1) Aging analysis

Carrying amount	Closing balance			Carrying amount	Closing balance at the end of last year (Adjusted)			
	Book balance	Percentage (%)	Provision for impairment		Book balance	Percentage (%)	Provision for impairment	Carrying amount
Within 1 year	67,524,673.88	93.76	—	67,524,673.88	21,483,222.82	70.60	—	21,483,222.82
1-2 years	1,634,403.12	2.27	—	1,634,403.12	8,034,510.51	26.40	—	8,034,510.51
2-3 years	1,987,747.51	2.76	—	1,987,747.51	229,511.36	0.75	—	229,511.36
Over 3 years	873,316.34	1.21	—	873,316.34	684,435.62	2.25	—	684,435.62
Total	<u>72,020,140.85</u>	<u>100.00</u>	<u>—</u>	<u>72,020,140.85</u>	<u>30,431,680.31</u>	<u>100.00</u>	<u>—</u>	<u>30,431,680.31</u>

(2) Top 5 prepayments

Name of entity	Book balance	Percentage to prepayments balance (%)
Xinjiang Tianye Company Limited	26,515,964.90	36.82
Xinjiang Tianyu New Technology & New Materials Co., Ltd.* (新疆天域新科新材料有限公司)	9,540,699.13	13.25
Northwestern Chemical Sales Branch of PetroChina Company Limited* (中國石油天然氣股份有限公司西北化工銷售分公司)	7,995,452.32	11.10
Xinjiang Haobo Chemical Co., Ltd.* (新疆皓博化工有限公司)	7,007,047.60	9.73
Henan Boliao Construction Engineering Co., Ltd.* (河南博遼建築工程有限公司)	<u>3,750,000.00</u>	<u>5.21</u>
Sub-total	<u>54,809,163.95</u>	<u>76.11</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

17. INVENTORIES

(1) Breakdown

Item	Book balance	Closing balance		Closing Balance at the end of last year (Adjusted)		
		Provision for impairment of inventories/ impairment provision for contract performance cost	Carrying amount	Book balance	Provision for impairment of inventories/ impairment provision for contract performance cost	Carrying amount
Raw materials	77,224,758.12	16,477,595.09	60,747,163.03	102,602,057.00	16,517,606.14	86,084,450.86
Revolving materials	48,055.78	48,055.78	0.00	48,055.78	48,055.78	0.00
Entrusted processing materials	4,932,198.61	1,752,253.68	3,179,944.93	11,799,811.90	733,712.76	11,066,099.14
Work-in-progress	4,231,960.76	0.00	4,231,960.76	2,351,871.86	0.00	2,351,871.86
Finished goods	117,840,262.35	17,440,121.66	100,400,140.69	133,223,596.71	16,122,353.03	117,101,243.68
Contract performance costs	0.00	0.00	0.00	41,525,852.22	0.00	41,525,852.22
Total	<u>204,277,235.62</u>	<u>35,718,026.21</u>	<u>168,559,209.41</u>	<u>291,551,245.47</u>	<u>33,421,727.71</u>	<u>258,129,517.76</u>

(2) Provision for impairment of inventories

1) Breakdown

Item	Opening balance (Adjusted)	Provision Increase during the period	Decrease during the period	
			Write-off	Closing balance
Raw materials	16,517,606.14	-20,287.47	19,723.58	16,477,595.09
Revolving materials	48,055.78	0.00	0.00	48,055.78
Finished goods	16,122,353.03	7,525,772.24	6,208,003.61	17,440,121.66
Entrusted processing materials	733,712.76	1,018,540.92	0.00	1,752,253.68
Sub-total	<u>33,421,727.71</u>	<u>8,524,025.69</u>	<u>6,227,727.19</u>	<u>35,718,026.21</u>

18. LONG-TERM EQUITY INVESTMENTS

Item	Book balance	Closing balance		Opening balance (Adjusted)		
		Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	134,266.57	0.00	134,266.57	711,959.70	0.00	711,959.70
Total	<u>134,266.57</u>	<u>0.00</u>	<u>134,266.57</u>	<u>711,959.70</u>	<u>0.00</u>	<u>711,959.70</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

19. CONSTRUCTION-IN-PROGRESS

Item	Closing balance			Closing balance at the end of last year (Adjusted)		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Equipment to be installed — Research and Development, Industrialization and Demonstration of High- efficiency Salt Discharge Subsurface Pipe Products (supporting the XPCC)	459,175.58		459,175.58			
Equipment to be installed — Xinjiang Efficient Water-saving Industry Innovation Institute	991,488.14		991,488.14			
Equipment to be installed — Research and Development, Industrialization and Demonstration of High- efficiency Salt Discharge Subsurface Pipe Products	35,415.93		35,415.93			
Construction project of 2*180m ³ /h commercial concrete production line and supporting facilities				7,897,012.71		7,897,012.71
Modern agricultural science and technology demonstration base project				2,681,330.89		2,681,330.89
VOCs management devices				331,528.78		331,528.78
Infrastructure construction project at Linze Plant Phase 2 (exhibition hall, gate hall, conference room, plant greening, public health)				136,689.82		136,689.82
Infrastructure construction project at Linze Plant Phase 3 (fire renovation of production workshop)	236,456.54		236,456.54	52,970.30		52,970.30
Total	1,722,536.19		1,722,536.19	11,099,532.50		11,099,532.50

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

20. PRODUCING BIO-ASSETS

(1) Productive biological assets measured under the cost model

Item	Agricultural industry citrus	Total
1. Initial carrying amount		
(1) Closing balance at the end of last year (Adjusted)	36,434,357.65	36,434,357.65
(2) Increase during the period	864,137.61	864,137.61
— Additions	864,137.61	864,137.61
(3) Decrease during the period		
(4) Closing balance	37,298,495.26	37,298,495.26
2. Accumulated depreciation		
(1) Closing balance at the end of last year (Adjusted)	1,094,542.07	1,094,542.07
(2) Increase during the period	1,730,935.71	1,730,935.71
— Provision	1,730,935.71	1,730,935.71
(3) Decrease during the period		
(4) Closing balance	2,825,477.78	2,825,477.78
3. Provision for impairment		
4. Carrying amount		
(1) Carrying amount at the end of the period	34,473,017.48	34,473,017.48
(2) Carrying amount at the end of last year (Adjusted)	<u>35,339,815.58</u>	<u>35,339,815.58</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

21. RIGHT-OF-USE ASSETS

Item	Properties and buildings	Land use rights	Machinery and equipment	Transportation	Total
1. Initial carrying amount					
(1) Opening balance at the beginning of the year (Adjusted)	6,392,088.58	46,694,572.21	308,671.84	—	53,395,332.63
(2) Increase during the period	1,885,747.67	1,885,207.20	—	333,659.94	4,104,614.81
— Additions of lease	1,969,050.58	1,885,207.20	—	333,659.94	4,187,917.72
— Revaluation adjustment	(83,302.91)	—	—	—	(83,302.91)
(3) Decrease during the period	724,691.17	—	161,538.91	—	886,230.08
— Disposal	724,691.17	—	161,538.91	—	886,230.08
(4) Closing balance	7,553,145.08	48,579,779.41	147,132.93	333,659.94	56,613,717.36
2. Accumulated depreciation					
(1) Opening balance at the beginning of the year (Adjusted)	1,656,196.25	8,942,432.47	161,817.87	—	10,760,446.59
(2) Increase during the period	1,514,536.12	3,938,543.14	49,044.36	33,366.00	5,535,489.62
— Provision	1,514,536.12	3,938,543.14	49,044.36	33,366.00	5,535,489.62
(3) Decrease during the period	724,691.17	—	149,556.78	—	874,247.95
— Disposal	724,691.17	—	149,556.78	—	874,247.95
(4) Closing balance	2,446,041.20	12,880,975.61	61,305.45	33,366.00	15,421,688.26
3. Impairment provision					
4. Carrying amount					
(1) Carrying amount at the end of the period	5,107,103.88	35,698,803.80	85,827.48	300,293.94	41,192,029.10
(2) Carrying amount at the beginning of the year (Adjusted)	<u>4,735,892.33</u>	<u>37,752,139.74</u>	<u>146,853.97</u>	<u>—</u>	<u>42,634,886.04</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2024

22. DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

(1) Deferred Income Tax Assets Un-eliminated

Item	Closing balance		Opening balance (Adjusted)	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	21,930,274.84	4,085,983.38	20,412,909.70	3,699,445.82
Lease liabilities	<u>40,819,297.63</u>	<u>6,443,355.78</u>	<u>42,302,615.57</u>	<u>6,656,563.91</u>
Total	<u>62,749,572.47</u>	<u>10,529,339.16</u>	<u>62,715,525.27</u>	<u>10,356,009.73</u>

(2) Deferred Income Tax Liabilities Un-eliminated

Item	Closing balance		Closing balance at the end of last year (Adjusted)	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets	<u>41,192,029.10</u>	<u>6,513,765.28</u>	<u>42,634,886.04</u>	<u>6,716,044.04</u>
Total	<u>41,192,029.10</u>	<u>6,513,765.28</u>	<u>42,634,886.04</u>	<u>6,716,044.04</u>

(3) Deferred Income Tax Assets or Liabilities Presented As Net Amount After Elimination

Item	At the end of the period		At the end of last year (Adjusted)	
	Amount eliminated between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after elimination	Amount eliminated between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after elimination
Deferred income tax assets	<u>6,399,524.99</u>	<u>4,129,814.17</u>	<u>6,680,044.04</u>	<u>3,675,965.69</u>
Deferred income tax liabilities	<u>6,399,524.99</u>	<u>114,240.29</u>	<u>6,680,044.04</u>	<u>36,000.00</u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2024

23. BILL PAYABLES

Item	Closing balance	Opening balance (Adjusted)
Bank acceptance bills	0.00	1,000,000.00
Total	<u>0.00</u>	<u>1,000,000.00</u>

24. TRADE PAYABLES

Aging analysis of trade payables based on the actual month of occurrence is as follows:

Age	Closing balance	Opening balance (Adjusted)
Within 1 year	285,149,010.16	324,387,646.44
1–2 years	85,804,334.60	44,088,808.50
2–3 years	25,477,843.98	45,800,697.26
Over 3 years	<u>56,099,375.31</u>	<u>25,681,115.29</u>
Total	<u>452,530,564.05</u>	<u>439,958,267.49</u>

Note: The aging analysis of trade payables is based on the actual month of occurrence of the amount. For those amounts which incur earlier, settlement would be prioritized in the course of capital turnover.

25. TAX AND LEVY PAYABLES

Item	Closing balance	Opening balance (Adjusted)
EIT	2,141,243.80	771,705.56
Value-added tax	4,168,107.31	3,188,954.85
Individual income tax	201,721.82	128,161.97
City maintenance and construction tax	484,110.25	291,986.42
Education surcharge	307,537.35	193,590.44
Other taxes	<u>340,915.51</u>	<u>384,918.20</u>
Total	<u>7,643,636.04</u>	<u>4,959,317.44</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2024, operating income of the Group was approximately RMB1,498,562,000, representing a decrease of approximately 32.44% from approximately RMB2,218,204,000 for the year ended 31st December, 2023.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2024 and 31st December, 2023 by products:

Category	For the year ended 31st December, 2024		For the year ended 31st December, 2023 (Adjusted)		Year- on-year percentage change %
	Operating income <i>RMB'000</i>	% to total operating income %	Operating income <i>RMB'000</i>	% to total operating income %	
Project income	578,052	38.57	1,044,235	47.08	-44.64
Trading income	501,560	33.47	615,256	27.74	-18.48
PVC/PE pipelines	301,008	20.09	341,021	15.37	-11.73
Building materials	21,888	1.46	80,626	3.63	-72.85
Drip films, drip tapes and drip assemblies	53,388	3.56	60,286	2.72	-11.44
Other operating income	42,666	2.85	76,780	3.46	-44.43
Total	<u>1,498,562</u>	<u>100.00</u>	<u>2,218,204</u>	<u>100.00</u>	<u>-32.44</u>

For the year ended 31st December, 2024, trading income decreased by 18.48% to approximately RMB501,560,000 from approximately RMB615,256,000 in the last year and project income decreased by 44.64% to approximately RMB578,052,000 from approximately RMB1,044,235,000 in the last year. Sales of drip films, drip tapes and drip assemblies decreased by approximately 11.44% to approximately RMB53,388,000, while sales of PVC/PE pipelines decreased by approximately 11.73% to approximately RMB301,008,000. At the same time, the sales volume of drip films, drip tapes and drip assemblies increased from approximately 5,500 tonnes to approximately 5,768 tonnes, while the sales volume of PVC/PE pipelines increased from approximately 43,987 tonnes in the last year to approximately 44,069 tonnes.

Gross profit and gross profit margin

Gross profit and gross profit margin decreased from approximately RMB102,420,000 and 4.62% for the year ended 31st December, 2023 to approximately RMB50,433,000 and 3.37% for the year ended 31st December, 2024, respectively, mainly attributable to the decrease in gross profit resulted from the reduced income upon review of the final accounts by landlords for some completed construction projects.

Cost of sales

For the year ended 31st December, 2024, cost of sales of the Group was approximately RMB1,448,129,000, representing a decrease of approximately 31.56% from approximately RMB2,115,783,000 for the year ended 31st December, 2023. Costs of sales for the year ended 31st December, 2024 comprised direct materials costs of approximately RMB1,108,543,000, direct labour costs of approximately RMB255,160,000 and production overhead of approximately RMB84,426,000, which accounted for approximately 76.55%, 17.62% and 5.83%, respectively, of the total costs of sales for year 2024. Costs of sales for the year ended 31st December, 2023 comprised direct materials costs of approximately RMB1,570,757,000, direct labour costs of approximately RMB424,426,000 and production overhead of approximately RMB120,600,000, which accounted for approximately 74.24%, 20.06% and 5.70%, respectively, of the total costs of sales for year 2023.

Distribution costs

Distribution costs were approximately RMB20,293,000 for the year ended 31st December, 2024, representing a decrease of approximately 15.12% from 2023. The amount accounted for approximately 1.35% of the total operating income for the year ended 31st December, 2024, which was approximately 0.27% higher than its share of total operating income of approximately 1.08% in the last year. Distribution costs mainly comprised salaries benefits fees, sales service fee and sale commission, etc. The decrease in distribution costs in 2024 was mainly due to the decrease in annual sales income, which resulted in the decrease in sales service fee and sale commission.

Administrative expenses

Administrative expenses increased by approximately 9.69% from 2023 to approximately RMB56,293,000 for the year ended 31st December, 2024. The amount accounted for approximately 3.76% of total operating income for the year ended 31st December, 2024, which increased by approximately 1.45% from its share of total operating income of approximately 2.31% in the last year. For the year ended 31st December, 2024, it was mainly due to the growth of remuneration.

Finance income/costs

Finance costs for the year ended 31st December, 2024 was approximately RMB4,026,000, consisting mainly of interest expenses and commission charges, net of interest income, while finance costs for the year ended 31st December, 2023 was approximately RMB1,622,000. The increase of 148.19% was mainly due to the decrease in interest income of 64.66% to approximately RMB1,202,000.

Assets impairment loss

The assets impairment loss for the year ended 31st December, 2024 was approximately RMB9,552,000, which was mainly generated from inventory impairment loss and contract performance cost impairment loss of approximately RMB8,524,000, contract assets impairment loss of RMB-17,000, fixed assets impairment loss of RMB1,013,000 and goodwill impairment loss of RMB32,000. The inventory impairment loss and contract performance cost impairment loss for the year ended 31st December, 2023 was approximately RMB19,661,000, which was mainly generated from provision for impairment of inventories of approximately RMB10,834,000, contract assets loss of RMB1,517,000 and fixed assets impairment loss of approximately RMB7,310,000. The reasons for the provision of various impairment losses were: a) the impairment of inventories was mainly attributable to the impairment of inventories provided for the decline of market value of the Company's drip products; b) the impairment of contract assets represented the impairment provision for engineering projects that have been completed but have not been settled; c) the main reason for the impairment of fixed assets was the impairment provisions for fixed assets with indication of impairment.

Net loss

As a result of the factors discussed above, the Group's audited net loss for the year ended 31st December, 2024 was approximately RMB44,799,000 while the net total loss for the corresponding period of last year was approximately RMB6,266,000. The Group's net loss accounted for approximately 3.00% of its turnover for the year ended 31st December, 2024 and the total loss accounted for approximately 0.28% of its turnover for the corresponding period of last year.

Net loss attributable to owners of the parent company

As a result of the factors discussed above, the net loss attributable to owners of the parent company had a net loss of approximately RMB39,536,000 for the year ended 31st December, 2024 and a net loss of approximately RMB7,358,000 for the year ended 31st December, 2023. For the two years ended 31st December, 2024 and 2023, the Group's net loss margins were approximately 2.64% and 0.33%, respectively.

FUTURE PROSPECTS

The PRC has clearly identified the water-saving industry as a key development direction. As at 2024, the irrigation area of arable land in the PRC reached 1.075 billion mu, accounting for 56% of the country's arable land. Meanwhile, over RMB100 billion has been invested by the country to support the modernization of more than 1,300 irrigation areas, focusing on the construction of pipe lining and water measurement facilities. According to the National Farmland Irrigation Development Plan jointly issued by the Ministry of Water Resources and the Ministry of Agriculture and Rural Affairs, the PRC will adhere to the principle of determining land capacity based on water resources, and new irrigation water sources and irrigation areas will be developed scientifically. Local governments will be guided and prompted to establish an irrigation project database and promote project implementation as planned to add new irrigation areas continuously, thereby further consolidating the water conservancy foundation for national food security. The prospects for future market development are broad.

In 2025, the Company will take technological innovation as its internal driving force, focus on project implementation, prioritize mindset adjustments, invigorate its vitality, consolidate its foundation and work together. While ensuring its existing sales inventory, the Company will optimize the existing product structure, adjust business strategies, build trading platforms, and make every effort to increase sales. On the one hand, the Company will carefully control operating risks and ensure the stable operation of its business through refined management and risk warning mechanisms. On the other hand, the Company will actively seize development opportunities, strive to improve the upstream and downstream layout of the industrial chain, actively promote the integration and reorganization of branches and subsidiaries by business segment, and continuously optimize the management and organizational structure. In terms of research and development, the Company will continue to step up its efforts, establish a dedicated research and development team, tackle technical predicaments in the industry, and enhance the core competitiveness of its products. As for marketing, it will actively develop its channels and innovate marketing models. Meanwhile, the Company will always follow the path of technological innovation, orderly promote product structure adjustment, phase out obsolete production capacity, and launch high-value-added products. Regarding contract acquisition, the Company will rely on the national water network and high-standard farmland construction and the opportunities brought about by the Belt and Road Initiative, and carry out "storage, transmission, diversion and use" project construction, including water conservancy projects such as reservoir construction, dredging and farmland reclamation and new-era qanat water transmission, as well as field projects such as high-standard farmland construction, irrigation area transformation, new agricultural and animal farms, national reserve farmland and land improvement and development and alkali soil improvement.

The Company will closely align with Tianye Group's "1+2+2" strategic development plan, continue to deepen its efforts in the "modern agriculture" sector, rely on the five major business segments of "plastic product research and development and production,

construction and water conservancy projects, plastic product sales, planting and land transfer, and smart agricultural information network”, focus on technology leadership, digital empowerment, industrial chain strengthening, and talent gathering to invigorate agriculture. The Company will closely follow national policies, seize various opportunities, and comprehensively promote high-quality development of the enterprise in high spirits, and establish itself as a modern and comprehensive service provider in water-saving agriculture across the entire industrial chain.

INDEBTEDNESS

Borrowings

As at 31st December, 2024, the Group had outstanding bank loans of RMB64,892,000 (2023: RMB73,972,000).

Commitments

As at 31st December, 2024, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB730,000 (2023: RMB730,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2024 were approximately 1.43 and 1.07, respectively, while the current ratio and quick ratio as at 31st December, 2023 were 1.42 and 1.00.

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.

Capital expenditures

For the year ended 31st December, 2024, 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 RMB574,000 (2023: approximately RMB574,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2024, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 15.83% (2023: 15.55%). This was primarily due to the fact that the bank loan amounted to RMB64,892,000 in 2024 and RMB73,972,000 in 2023. 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, 2024.

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, 2024, the Group had no contingent liabilities (2023: Nil).

Events after the reporting period

There were no other significant events after the reporting period and up to the date of this announcement.

Exposure to fluctuations in exchange rates and related hedges

The Group's present operations are mainly carried on in the PRC and the Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"). During the year, 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 2023 and 2024.

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, 2024, the Group had 500 employees (2023: 407) in total.

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 RMB7,780,000 for the year ended 31st December, 2024.

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 at the age prescribed by the requirements of the PRC or otherwise become unemployed, the amount of which is included in expenses incurred from the retirement benefits scheme.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 14th December, 2023, the Company (as the purchaser) and Xinjiang Sanli Construction Co., Ltd.* (新疆三利建築有限責任公司) (as the vendor) entered into an acquisition agreement, pursuant to which, the Company agreed to conditionally acquire and Xinjiang Sanli Construction Co., Ltd.* agreed to conditionally sell 51% equity interest in Xinjiang Tianbei Runtong Construction Engineering Co., Ltd.* (新疆天北潤通建設工程有限公司) at a consideration of RMB1. The Board of the Company approved the aforesaid transaction on 24th November, 2023.

On 1st January, 2024, the Group entered into the equity transfer confirmation letter for the completion of acquisition of 51% equity interest in Xinjiang Tianbei Runtong Construction Engineering Co., Ltd.*, and the financial results of which are now consolidated into the consolidated financial statements.

Save for the above, for the year ended 31st December, 2024, the Group had no material investment.

MATERIAL INVESTMENTS

For the year ended 31st December, 2024, the Group had no material investment.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2024 (2023: Nil).

CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to the improvement in its credibility and transparency, and thus further instill confidence of its shareholders and the public. Throughout the year ended 31st December, 2024, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 C3 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, except as described below, they have complied with the required standards under the Model Code for the year ended 31st December, 2024.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN A COMPETING BUSINESS

For the year ended 31st December, 2024, 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.

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, 2024.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual result for the year ended 31st December, 2024, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters in respect of the audited financial statements for the year ended 31st December, 2024 with the management.

AUDITORS

The Company has appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company and to audit the financial statements for the year ended 31st December, 2024.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2024 will be despatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tianyejieshui.com.cn>) in due course.

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.

By order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Zhou Gang
Chairman

Xinjiang, the PRC, 28th March, 2025

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Zhou Gang (Chairman), Mr. Han Gen and Mr. Jiang Dayong, and four independent non-executive Directors, namely Mr. Li Lianjun, Ms. Gu Li, Mr. Hung Ee Tek and Mr. He Xinlin.

* *For identification purpose only*