



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, 2020

SUMMARY

- Total operating revenue for the six months ended 30th June, 2020 was approximately RMB352,711,000, representing an increase of approximately 21.19% from approximately RMB291,028,000 for the corresponding period in the previous year.
- Unaudited net profit for the six months ended 30th June, 2020 was approximately RMB262,000, while net loss for the corresponding period in the previous year was approximately RMB487,000. The unaudited net profit attributable to owners of the parent company for the six months ended 30th June, 2020 was approximately RMB338,000, as compared with the net loss of approximately RMB185,000 for the corresponding period in the previous year.
- Basic earnings per share for the six months ended 30th June, 2020 was approximately RMB0.0005 (basic loss per share for the corresponding period in 2019: RMB0.0003).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2020 (for the corresponding period in 2019: nil).

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

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, 2020, together with the comparative figures for the corresponding period in 2019. 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	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
1. Total operating revenue	3	352,711	291,028
Including: Other operating income		27,903	2,220
Income from principal businesses		324,808	288,808
2. Total operating cost		352,211	293,303
Including: Cost of sales		309,457	243,542
Business taxes and surcharges		2,202	1,737
Distribution costs		20,417	30,109
Administrative expenses		17,991	17,879
Research and development expenses		2,610	663
Finance costs		854	(582)
Credit impairment loss		(1,142)	(1,420)
Assets impairment loss		(178)	1,375
Add: Other income		1,079	2,449
Less: Loss from disposal of assets		(867)	—
Investment loss		—	(9)
3. Operating profits		712	165
Add: Non-operating income		164	14
Less: Non-operating expenses		176	13
4. Total profits	5	700	166
Less: Income tax expenses	6	438	653
5. Net profit/(loss)		262	(487)
Net profit/(loss) attributable to owners of the parent company		338	(185)
(Loss) attributable to minority interests		(76)	(302)
6. Profit/(loss) per share — basic	7	RMB0.0005	RMB(0.0003)
7. Other comprehensive income		—	—
8. Total comprehensive profit/(loss)		262	(487)
Total comprehensive profit/(loss) attributable to owners of the parent company		338	(185)
Total comprehensive (loss) attributable to minority interests		(76)	(302)
9. Dividend	8	—	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30th June, 2020 RMB'000 (unaudited)	As at 31st December, 2019 RMB'000 (audited)
Current assets:			
Cash		120,711	63,242
Trade receivables	9	233,446	198,433
Prepayments		27,310	12,836
Other receivables		24,362	23,120
Inventories		405,719	368,481
Other current assets		4,965	4,394
Total current assets		<u>816,513</u>	<u>670,506</u>
Non-current assets:			
Long-term equity investments		7,586	7,586
Fixed assets		137,444	141,906
Construction in progress		10,872	14,969
Biological assets for production	10	12,794	8,810
Intangible assets		16,225	16,700
Development expenses		450	—
Long-term prepaid expenses		7,087	7,261
Deferred income tax assets		1,204	1,204
Other non-current assets		—	292
Total non-current assets		<u>193,662</u>	<u>198,726</u>
Total assets		<u>1,010,175</u>	<u>869,233</u>
Current liabilities:			
Short-term borrowings		80,000	30,000
Trade payables	11	259,452	196,117
Contract liabilities		55,643	33,278
Employee remuneration payables		7,867	8,314
Taxes and levy payables		5,809	5,044
Other payables		22,105	17,932
Other current liabilities		—	2,602
Total current liabilities		<u>430,876</u>	<u>293,288</u>
Non-current liabilities:			
Deferred income		4,995	7,581
Long-term payables		5,677	—
Total non-current liabilities		<u>10,672</u>	<u>7,581</u>
Total liabilities		<u>441,548</u>	<u>300,869</u>
Equity of owners:			
Share capital		519,522	519,522
Capital reserve		15,372	15,372
Surplus reserves		34,724	34,724
Retained earnings		(9,990)	(10,329)
Total equity attributable to owners of the parent company		<u>559,628</u>	<u>559,289</u>
Minority interests		8,999	9,075
Total equity of owners		<u>568,627</u>	<u>568,365</u>
Total liabilities and equity of owners		<u>1,010,175</u>	<u>869,233</u>

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30th June, 2020

	Share capital	Capital reserves	Surplus reserves	Retained earnings	Total equity attributable to owners of the parent company	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2019	519,522	15,372	34,724	37,620	607,238	9,340	616,578
Total comprehensive income for the period	—	—	—	(185)	(185)	(302)	(487)
At 30th June, 2019	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>37,435</u>	<u>607,053</u>	<u>9,038</u>	<u>616,091</u>
At 1st January, 2020	519,522	15,372	34,724	(10,329)	559,289	9,075	568,364
Total comprehensive loss for the period	—	—	—	338	338	(76)	262
At 30th June, 2020	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>(9,990)</u>	<u>559,628</u>	<u>8,999</u>	<u>568,627</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2020

	2020 RMB'000 (unaudited)	2019 <i>RMB'000</i> (unaudited)
Net cash generated from operating activities	9,007	(15,488)
Net cash generated from investing activities	(523)	(4,732)
Net cash generated from financing activities	48,985	(713)
Net increase in cash and cash equivalents	57,469	(20,933)
Balance of cash and cash equivalents at 1st January	63,242	109,139
Balance of cash and cash equivalents at 30th June	120,711	88,206

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2020

1. GENERAL

Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as the “Company”) was co-founded by the joint investment from Xinjiang Tianye Company Limited (新疆天業股份有限公司) and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司). It was registered under the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區工商行政管理局) on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The creditability code of its Business License of Enterprise Legal Person is 91650000757655578C and its registered capital is RMB519,521,560.00, comprising of 519,521,560 shares of RMB1 each in aggregate, of which 317,121,560 are domestic shares held by legal persons and 202,400,000 are overseas H shares. The Company transferred its shares listing from the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited to the Main Board of the Stock Exchange on 24th January, 2008, with its Stock Code changed from 8280 to 0840.

The Company operates in the plastic product manufacturing industry. Its business scope mainly covers production and sales of PVC materials for water supply pipes, PE piping materials and accessories, pressure compensatory drip tapes, labyrinth-style drip tapes, embedded-style drip tapes, agricultural tapes and drippers.

The Company included the following 13 subsidiaries into the consolidated financial statements for the period: Gansu Tianye Water Saving Device Co., Ltd (“Gansu Tianye”), Gansu Tianye Water Conservancy and Hydropower Engineering Co., Ltd.* (“Gansu Tianye Water Conservancy and Hydropower”), Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (“Hami Tianye”), Kuitun Tiantun Water Saving Co., Ltd* (“Kuitun Water Saving”), Akesu Tianye Water Saving Co., Ltd* (“Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd (“Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd* (“Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd* (“Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited* (“Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited (“Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (“Xiyu Water Conservancy”), Shihezi Tianye Xiying Water Saving Device Co., Ltd.* (“Xiying Water Saving”).

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 31 December 2019, 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,	
	2020	2019
	RMB'000	RMB'000
Drip tapes and drip assemblies	84,968	106,112
PVC/PE pipelines	154,381	166,483
Provision of installation services	85,459	16,213
Other income	27,903	2,220
	<u>352,711</u>	<u>291,028</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,	
	2020	2019
	RMB'000	RMB'000
Total profits have been arrived at after charging:		
Depreciation	6,403	7,156
and after crediting:		
Bank interest income	<u>279</u>	<u>1,455</u>

6. INCOME TAX EXPENSES

	For the six months ended	
	30th June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Enterprise Income Tax (“EIT”)	<u>438</u>	<u>653</u>

- (1) The Company and its subsidiaries, Gansu Tianye Water Saving Device Co., Ltd.* (甘肅天業節水有限公司), Akesu Tianye Water Saving Co., Ltd.* (阿克蘇天業節水有限公司) and Kuitun Tiantun Water Saving Co., Ltd.* (奎屯天屯節水有限責任公司) were subjected to an EIT tax rate of 15% in 2020 as they complied with the requirements of the tax concession policies of the Western Development (西部大開發).
- (2) The production operation of agricultural plastic belts for drip irrigation engaged by Shihezi Tiansheng Water Saving Device Co., Ltd.* (石河子市天誠節水器材有限公司), a subsidiary, conforms to order No. 9 of the National Development and Reform Commission. Pursuant to the Notice of Ministry of Finance, the “General Administration of Customs and the State Administration of Taxation on the Tax Policy for In-depth Implementation of the Western Development Strategy” (《財政部、海關總署、國家稅務總局產三十深入實施西部大開發戰略有關稅收政策問題的通知》), it is subjected to an EIT tax rate of 15% during 1st January, 2011 to 31st December, 2020.
- (3) Hami Tianye Hongxing Water Saving Irrigation Co., Ltd.* (哈密天業紅星節水灌溉有限責任公司), a subsidiary, is a qualified small low-profit enterprise, the taxable income of which will be 50% of the total income before being subjected to an EIT tax rate of 20%.
- (4) Zhongxinnong Modern Water Saving Technology Company Limited (中新農現代節水科技有限責任公司), a subsidiary mainly engaged in promotion and application of high-efficiency water saving technology, which belongs to “Promotion and Application of High-efficiency Water Transportation, Distribution and Conservation and Irrigation Technology” of Article 18 “Water Conservancy” under the Class I “Encouraged Category” of “Catalogue for the Guidance of Industrial Restructuring”《產業結構調整指導目錄》, was subjected to an EIT tax rate of 15% in 2020.
- (5) Other taxpayers other than the above-mentioned, were subjected to an EIT tax rate of 25% in 2020.

7. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share for the six months ended 30th June, 2020 are based on the net profit attributable to the owners of the parent company of approximately RMB338,000 (net loss for the corresponding period in 2019: approximately RMB185,000) and the weight average number of 519,521,560 (for the corresponding period in 2019: 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, 2019 and 2020 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, 2020 (for the corresponding period in 2019: nil).

9. TRADE RECEIVABLES

(1) Aging analysis

Age	As at 30th June, 2020 RMB'000	As at 31st December, 2019 RMB'000
Within 1 year	155,801	120,460
1-2 years	65,347	66,016
2-3 years	15,673	15,673
3-4 years	10,411	10,411
4-5 years	4,878	4,878
Over 5 years	18,594	19,422
Total	<u>270,704</u>	<u>236,859</u>

(2) Breakdown by category

Category	As at 30th June, 2020 RMB'000				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	14,342	5.30	14,342	38.49	—
Bad debt provision made in portfolio as per credit risk features	1,670	0.61	—	0.00	1,670
Bad-debt provision made on a group basis	<u>254,692</u>	<u>94.09</u>	<u>22,916</u>	<u>61.51</u>	<u>231,776</u>
Total	<u>270,704</u>	<u>100.00</u>	<u>37,258</u>	<u>100.00</u>	<u>233,446</u>

Category	As at 31st December, 2019				Carrying amount
	Book balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	15,058	6.36	14,534	96.52	524
Bad debt provision made in portfolio as per credit risk features	2,923	1.23	0	0	2,923
Bad-debt provision made on a group basis	<u>218,878</u>	<u>92.41</u>	<u>23,892</u>	<u>10.92</u>	<u>194,986</u>
Total	<u>236,859</u>	<u>100.00</u>	<u>38,426</u>	<u>16.22</u>	<u>198,433</u>

10. PRODUCTIVE BIOLOGICAL ASSETS

Breakdown

Item	Planting Immature RMB'000	Total
Initial carrying amount		
Opening balance		
Increase during the period		
1) Additions	3,984	3,984
Decrease during the period		
1) Disposal		
Closing balance	12,794	12,794
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>12,794</u>	<u>12,794</u>
Carrying amount at the beginning of the period	<u>8,810</u>	<u>8,810</u>

11. TRADE PAYABLES

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

	As at 30th June, 2020 <i>RMB'000</i>	As at 31st December, 2019 <i>RMB'000</i>
Age:		
within 1 year	155,196	105,564
1-2 years	73,764	34,224
2-3 years	19,234	46,813
Over 3 years	11,258	9,516
	<u>259,452</u>	<u>196,117</u>

12. CAPITAL COMMITMENTS

	As at 30th June, 2020 <i>RMB'000</i>	As at 31st December, 2019 <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>1,321</u>	<u>1,518</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, 2020 <i>RMB'000</i>	
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of transaction/business		
Sales of finished goods	4,724	4,178
Purchase of raw materials	83,119	49,732
Rental income from premises	40	40
Rental of plant and machineries	688	653
	<u>688</u>	<u>653</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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Directors and supervisors	408	431
Other key management personnel	969	1,382
Total	<u>1,377</u>	<u>1,813</u>

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

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

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

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

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

(a) Material transactions

	For the six months ended 30th June,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of transaction		
Sales of goods	133,378	124,335
Purchase of raw materials	121,460	115,449

(b) **Material balances**

	As at 30th June, 2020 RMB'000	As at 31st December, 2019 RMB'000
Bank balances	120,711	63,242
Trade and other receivables	257,808	221,553
Trade and other payables	281,557	214,050

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, 2020, the unaudited total operating revenue of the Group was approximately RMB352,711,000, representing an increase of approximately 21.19% from approximately RMB291,028,000 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 the increased market demand for our products.

Gross Profit

For the six months ended 30th June, 2020, the unaudited gross profit was approximately RMB43,254,000, with gross profit margin of approximately 12.3%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB47,486,000 and approximately 16.3% respectively, representing a decrease of approximately 4% in gross profit margin. This was mainly due to the decrease in the selling price of the products of the Group during the current period as a result of the impact of the epidemic.

Operating costs and expenses

Unaudited distribution costs for the six months ended 30th June, 2020 and the corresponding period in the previous year were approximately RMB20,417,000 and approximately RMB30,109,000 respectively, representing a decrease of approximately RMB9,692,000 or approximately 32.2%. The decrease in distribution costs was mainly due to the decrease in sale service fee, transportation costs and advertising fee.

Unaudited administrative expenses for the six months ended 30th June, 2020 and the corresponding period in the previous year were approximately RMB17,991,000 and approximately RMB17,879,000 respectively, representing an increase of approximately RMB112,000 or approximately 0.6%.

Unaudited finance cost for the six months ended 30th June, 2020 was approximately RMB854,000, representing an increase of approximately RMB1,436,000 or approximately 35.2% as compared with the unaudited finance income of approximately RMB582,000 for the corresponding period in the previous year. The increase in finance cost was mainly due to the increase in loans during the current period.

Assets impairment loss

Unaudited assets impairment loss for the six months ended 30th June, 2020 and the corresponding period in the previous year was RMB1,320,000 and RMB1,375,000 respectively.

Credit impairment loss

For the six months ended 30th June, 2020 and the corresponding period in the previous year, the Group's unaudited reversal of credit impairment loss was RMB1,142,000 and RMB1,420,000 respectively.

Net loss attributable to owners of the parent company

For the six months ended 30th June, 2020, the Group recorded the unaudited net profit attributable to owners of the parent company of approximately RMB338,000 as compared with the net loss of approximately RMB185,000 for the corresponding period in the previous year. The net profit recorded was mainly due to the significant increase in the operating income of the Company accompanied with the decrease in expenses.

Prospect

Water resources are the basic natural resources and strategic economic resources related to the national economy and people's livelihood. With the emergence of water shortage, ecological environment and other issues, China has paid more attention to the development of water-saving agriculture. The PRC government promulgated various water-saving plans and implementation schemes successively, emphasizing the necessity to take water-saving as a directional and strategic event, to accelerate the improvement of a set of policy system that promotes agricultural water-saving.

The Group's strategic positioning is to "build an open industry development model with a digital agricultural operation management system as its core direction with its principal businesses based on products, engineering, and agricultural services." In order to enhance the core competitiveness and sustainable development capabilities, the Group will optimize and improve product business, make every effort to realize the digitization, intelligence, real-time command and automatic control of various crop agricultural production operations, and focus on cultivating engineering business and agricultural service business.

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, 2020, the Group had gearing ratio (which is defined as total borrowings over total equity) of 14.07% (as at 31st December, 2019: 4.87%). 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, 2020.

Contingent Liabilities

As at 30th June, 2020, 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, 2020, the Group had about 531 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 RMB3,879,000 for the six months ended 30th June, 2020.

Housing pension scheme

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

Future plan for material investment

As at 30th June, 2020, the Group had no material investment plan.

Material acquisitions and disposals

For the six months ended 30th June, 2020, the Group had no material acquisitions nor disposals of subsidiaries and associated companies.

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

As at 30th June, 2020, the interests and short positions of the Directors, supervisors (the "Supervisors") and chief executive of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of dealings by Directors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Company

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

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June, 2020 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, 2020, 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 Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.50% 38.91%

Notes:

1. "L" denotes the person's/entity's long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 shares (including domestic shares and H shares).
3. The domestic shares held by Tianye Company represents approximately 63.75% of the total domestic shares in issue.
4. 202,164,995 domestic shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings, which is interested in approximately 54.22% of the registered capital of Tianye Company, is deemed to be interested in the 202,164,995 domestic shares held by Tianye Company.

(B) H Shareholders

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

Notes:

1. The letter “L” denotes the person’s/entity’s long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 shares (including domestic shares and H shares).
3. The H shares held by Long Thrive represents approximately 7.12% of the total H shares in issue of the Company.
4. Long Thrive directly held 14,407,000 H shares. Long Thrive is wholly-owned by Mr. Ding. By virtue of the SFO, Mr. Ding is deemed to be interested in the 14,407,000 H shares held by Long Thrive.
5. Ms. Wang is the spouse of Mr. Ding. By virtue of SFO, Ms. Wang is deemed to be interested in the 14,407,000 H shares held by Long Thrive.

Save as disclosed above, as at 30th June, 2020, 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, 2020, 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, 2020, 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, 2020.

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, 2020

There were no events of the Company after the six months ended 30th June, 2020.

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, 2020.

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

Xinjiang, the PRC, 20th August, 2020

* *For identification purpose only*