



**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, 2018**

**SUMMARY**

- Total operating revenue for the six months ended 30th June, 2018 was approximately RMB231,373,000, a decrease of approximately 43.5% from approximately RMB409,242,000 for the corresponding period in the previous year.
- Unaudited net loss for the six months ended 30th June, 2018 was approximately RMB10,196,000, while net profit for the corresponding period in the previous year was approximately RMB6,156,000, representing a decrease of approximately 265.6%. The unaudited net loss attributable to owners of the Company for the six months ended 30th June, 2018 was approximately RMB10,091,000, while the net profit attributable to owners of the Company for the corresponding period in the previous year was approximately RMB6,471,000, representing a decrease of approximately 255.9%.
- Basic loss per share for the six months ended 30th June, 2018 was approximately RMB0.0194 (basic earnings per share for the corresponding period in 2017: RMB0.0105).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2018 (for the corresponding period in 2017: nil).

## FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2018, together with the comparative figures for the corresponding period in 2017. These unaudited interim financial statements have been reviewed by the audit committee of the Company.

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30th June,	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
1. Total operating revenue	3	231,373	409,242
Including: Other operating income		8,070	15,761
Operating income		223,303	393,481
2. Total operating cost		241,170	402,212
Including: Cost of sales		210,776	365,286
Business taxes and surcharges		1,425	2,262
Distribution costs		14,609	19,968
Administrative expenses		14,760	15,981
Finance costs		(187)	(1,262)
Assets impairment loss		(213)	(23)
Add: Other income		704	—
Less: Loss from disposal of assets		751	—
3. Operating (loss)/profits		(9,844)	7,030
Add: Non-operating income		55	630
Less: Non-operating expenses		82	112
4. Total (loss)/profits	5	(9,871)	7,548
Less: Income tax expenses	6	325	1,392
5. Net (loss)/profits		(10,196)	6,156
Net (loss)/profits attributable to owners of the Company		(10,091)	5,471
(Loss)/profits attributable to minority interests		(105)	685
6. (Loss)/Earnings per share — basic	7	<u>RMB(0.0194)</u>	<u>RMB0.0105</u>
7. Other comprehensive income		—	—
8. Total comprehensive (loss)/income		(10,196)	6,156
Total consolidated (loss)/income attributable to owners of the Company		(10,091)	5,471
Total consolidated (loss)/income attributable to minority interests		(105)	685
9. Dividend	8	—	—

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30th June, 2018 <b>RMB'000</b> (unaudited)	As at 31st December, 2017 <b>RMB'000</b> (audited)
<b>Current assets:</b>			
Cash		91,536	118,214
Bill receivables		1,400	—
Trade receivables	9	198,960	215,218
Prepayments		16,931	8,773
Other receivables		27,377	30,060
Inventories		465,188	435,117
Assets held-for-trading		—	206
Other current assets		5,140	3,888
Total current assets		806,532	811,476
<b>Non-current assets:</b>			
Long-term equity investments		7,675	7,675
Property, plant and equipment	10	157,971	164,681
Construction in progress		3,695	3,996
Intangible assets		11,796	12,082
Long-term prepaid expenses		1,925	1,665
Deferred income tax assets		1,759	1,759
Total non-current assets		184,821	191,858
Total assets		991,353	1,003,334
<b>Current liabilities:</b>			
Trade payables	11	244,385	254,483
Receipts in advance		55,463	42,146
Employee remuneration payable		7,396	7,423
Taxes payable		1,329	3,564
Other payables	12	16,798	20,617
Total current liabilities		325,371	328,233
<b>Non-current liability:</b>			
Deferred income		6,729	8,871
Special payables		3,219	—
Total non-current liability		9,948	8,871
Total liabilities		335,319	337,104
<b>Equity of owners:</b>			
Share capital		519,522	519,522
Capital reserve		15,372	15,372
Surplus reserves		34,724	34,724
Retained profits		74,990	85,081
Total equity attributable to owners of the Company		644,608	654,699
Minority interests		11,426	11,531
Total equity of owners		656,034	666,230
Total liabilities and equity of owners		991,353	1,003,334

## CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

*For the six months ended 30th June, 2018*

	Share capital	Capital reserve	Surplus reserves	Retained earnings	Total equity attributable to owners of the Company	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2017	519,522	15,372	34,724	83,733	653,351	11,002	664,353
Total comprehensive income for the period	—	—	—	5,471	5,471	685	6,156
At 30th June, 2017	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>89,204</u>	<u>658,822</u>	<u>11,687</u>	<u>670,509</u>
At 1st January, 2018	519,522	15,372	34,724	85,081	654,699	11,531	666,230
Total comprehensive loss for the period	—	—	—	(10,091)	(10,091)	(105)	(10,196)
At 30th June, 2018	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>74,990</u>	<u>644,608</u>	<u>11,426</u>	<u>656,034</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30th June, 2018*

	<b>2018</b> <b>RMB'000</b> <b>(unaudited)</b>	2017 <i>RMB'000</i> (unaudited)
Net cash used in operating activities	<b>(26,984)</b>	(31,969)
Net cash from investing activities	<b>306</b>	(2,950)
Net cash used in financing activities	<u>—</u>	<u>—</u>
Net (decrease) increase in cash and cash equivalents	<b>(26,678)</b>	(34,919)
Cash and cash equivalents at 1st January	<u><b>118,214</b></u>	<u>153,916</u>
Cash and cash equivalents at 30th June	<u><b>91,536</b></u>	<u>118,997</u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2018*

### 1. GENERAL

Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as the “Company”) was co-found by the joint investment from Xinjiang Tianye Company Limited and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司). It was registered with the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The creditability code of its Business License of Enterprise Legal Person is 91650000757655578C and its registered capital is RMB519,521,560, comprising 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 share listing from the Growth Enterprise Market (“GEM”) of the Stock Exchange to the Main Board of the Hong Kong Stock Exchange on 24th January, 2008, with its Stock Code changed from 8280 to 0840.

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

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

### 2. PRINCIPAL ACCOUNTING POLICIES

The Company’s unaudited condensed consolidated financial statements have been prepared on a going concern basis in accordance with the “Enterprise Accounting Standards — Basic Standards” 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 of Hong Kong Limited.

The accounting policies adopted in preparing the unaudited condensed consolidated interim financial statements were in consistent with those applied to the annual financial statements of the Group for the year ended 31st December, 2017.

### 3. TOTAL OPERATING REVENUE

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

	For the six months ended 30th June,	
	2018	2017
	RMB'000	RMB'000
Drip films and drip assemblies	75,803	217,757
PVC/PE pipelines	117,012	112,231
Provision of installation services	30,488	63,493
Other income	8,070	15,761
	<u>231,373</u>	<u>409,242</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 sale 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,	
	2018	2017
	RMB'000	RMB'000
Total profits have been arrived at after charging:		
Depreciation	8,961	10,891
and after crediting:		
Bank interest income	<u>248</u>	<u>253</u>

## 6. INCOME TAX EXPENSES

	For the six months ended	
	30th June,	
	2018	2017
	RMB'000	RMB'000
Enterprise Income Tax ("EIT")	<u>325</u>	<u>1,392</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 2018 as it complied with the requirements of the tax concession policies of the Western Development.
- (2) The production operation of agricultural plastic belts for drip irrigation engaged by Shihezi Tiancheng Water Saving Device Co., Ltd.\* (石河子市天誠節水器材有限公司), a subsidiary, conforms to order No. 9 of the National Development and Reform Commission. Pursuant to the Notice of Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the Tax Policy for In-depth Implementation of the Western Development Strategy, 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", was subjected to an EIT tax rate of 15% in 2018.
- (5) Other taxpayers other than the above-mentioned, were subjected to an EIT tax rate of 25% in 2018.

## 7. EARNINGS PER SHARE — BASIC

The calculations of basic loss per share for the six months ended 30th June, 2018 are based on the net loss attributable to the owners of the Company of approximately RMB10,091,000 (net profit for the corresponding period in 2017: approximately RMB5,471,000) and the weight average number of 519,521,560 (for the corresponding period in 2017: 519,521,560) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the two periods ended 30th June, 2017 and 2018 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, 2018 (for the corresponding period in 2017: nil).

## 9. TRADE RECEIVABLES

Sales to farmer unions are normally on cash basis. The credit term to other customers is normally one year.

Included in the trade receivables of the Group were trade receivables (less impairment) with the following aging analysis:

	As at 30th June, 2018 <i>RMB'000</i>	As at 31st December, 2017 <i>RMB'000</i>
Aged:		
Within 1 year	163,559	169,817
1–2 years	16,816	26,816
2–3 years	10,183	10,183
3–4 years	5,179	5,101
4–5 years	573	665
Over 5 years	<u>2,650</u>	<u>2,636</u>
Total	<u><u>198,960</u></u>	<u><u>215,218</u></u>

The Directors consider that the carrying amounts of trade receivables approximate their fair values.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group did not purchase any property, plant and equipment (for the corresponding period in 2017: RMB920,000).

## 11. TRADE PAYABLES

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

	As at 30th June, 2018 <i>RMB'000</i>	As at 31st December, 2017 <i>RMB'000</i>
Aged:		
within 1 year	199,162	209,260
1-2 years	30,611	30,611
2-3 years	4,084	4,084
Over 3 years	10,528	10,528
	<u>244,385</u>	<u>254,483</u>

## 12. OTHER PAYABLES

	As at 30th June, 2018 <i>RMB'000</i>	As at 31st December, 2017 <i>RMB'000</i>
<b>Items</b>		
Security deposits	1,533	2,752
Suspense accounts payable	8,801	1,703
Current account	5,640	16,088
Others	824	74
	<u>16,798</u>	<u>20,617</u>

## 13. CAPITAL COMMITMENTS

	As at 30th June, 2018 <i>RMB'000</i>	As at 31st December, 2017 <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>4,016</u>	<u>1,785</u>

#### 14. RELATED PARTY TRANSACTIONS

##### (a) Transactions

During the period, the Group had the following significant transactions with Xinjiang Tianye Group Limited (“Tianye Holdings”, together with its subsidiaries other than the Group, “Tianye Holdings Group”):

Nature of transaction/business	For the six months ended	
	30th June,	
	2018	2017
	RMB'000	RMB'000
Sales of finished goods	1,761	4,484
Purchase of raw materials	53,342	72,744
Rental income from premises	65	39
Rentals of plant and machineries	1,544	668
	<u>1,544</u>	<u>668</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,	
	2018	2017
	RMB'000	RMB'000
Directors and supervisors	436	364
Other key management personnel	540	797
	<u>540</u>	<u>797</u>
Total	<u>976</u>	<u>1,161</u>

#### 15. 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 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 follows:

(a) **Material transactions**

Nature of transaction	For the six months ended	
	30th June,	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of goods	<b>104,118</b>	266,069
Purchase of raw materials	<b>146,625</b>	250,772

(b) **Material balances**

	As at	As at
	30th June,	31st December,
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances	<b>91,536</b>	118,214
Trade and other receivables	<b>243,268</b>	254,051
Trade and other payables	<b>316,645</b>	317,246

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, 2018, the unaudited total operating revenue of the Group was approximately RMB231,373,000, representing a decrease of approximately 43.5% from approximately RMB409,242,000 for the corresponding period in the previous year. The decrease in the total operating revenue was mainly due to a significant decline in our sales revenue and project income, which was the result from a decrease in our sales of products and suspension of engineering projects during increasingly fierce market competition.

### Gross Profit

For the six months ended 30th June, 2018, the unaudited gross profit was approximately RMB20,597,000, with gross profit margin of approximately 8.9%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB43,956,000 and approximately 10.7% respectively, representing a decrease of 1.8% in gross profit margin. This was mainly due to a decrease in sales of products and selling price of the Group amid rising production costs during the current period.

### Operating Costs and Expenses

Distribution costs for the six months ended 30th June, 2018 and the corresponding period in the previous year was approximately RMB14,609,000 and approximately RMB19,968,000 respectively, representing a decrease of approximately RMB5,359,000 or approximately 26.8%. This was mainly due to a significant decline in the transportation expenses as compared to that for the corresponding period in the previous year.

Administrative expenses for the six months ended 30th June, 2018 and the corresponding period in the previous year was approximately RMB14,760,000 and approximately RMB15,981,000 respectively, representing a decrease of approximately RMB1,221,000 or approximately 7.6%. This was mainly due to decreased funding for technology development.

Finance income for the six months ended 30th June, 2018 and the corresponding period in the previous year was approximately RMB187,000 and approximately RMB1,262,000 respectively, representing a decrease of approximately RMB1,075,000. This was mainly due to a drop by 100% in net income from foreign exchange for the current period as compared to that for corresponding period in the previous year.

### **Assets impairment loss**

For the six months ended 30th June 2018 and the corresponding period in the previous year, the Group's unaudited reversal of assets impairment loss was approximately RMB213,000 and approximately RMB23,000 respectively.

### **Net loss attributable to owners of the Company**

For the six months ended 30th June, 2018, the Group recorded approximately RMB10,091,000 for the unaudited net loss attributable to owners of the Company, representing a decrease of approximately RMB15,562,000 from net profit approximately RMB5,471,000 for the corresponding period in the previous year.

### **Prospect**

The Group is of the view that the water-saving agricultural irrigation industry enjoys enormous development and growth potential as it continues to be a top priority on the development agenda of the Chinese government. Given the dumping strategy adopted by micro-size industry peers for their product inventory, the market competition continues to intensify such an extent that the Company is affected in the short term.

By understanding the actual and market demands, the Group will advance the transformation of our industry-specific products in our extending industry chain, stimulate our corporate vitality, and promote our innovation development. In the meantime, we will continue to increase investments in new water-saving products and technologies. With our ongoing product upgrade and iteration, the Group will steer clear of the malicious competition caused by low-end market competitors, while expanding and enhancing our core competitive strengths.

### **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, 2018, the Group had gearing ratio (which is defined as total borrowings over total equity) of zero (as at 31st December, 2017: zero). 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, 2018.

### **Contingent Liabilities**

As at 30th June, 2018, 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, 2018, the Group had 721 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 for the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit plans were approximately RMB6,532,000 for the six months ended 30th June, 2018.

### **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, 2018, the Group had no material investment plan.

### **Material acquisitions and disposals**

For the six months ended 30th June, 2018, 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, 2018, none of the Directors, supervisors (the "Supervisors") and chief executive of the Company has any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), to be notified to the Company and the Hong Kong Stock Exchange.

### **ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executive of the Company, including their respective associates, to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other related corporations.



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

### (A) Domestic Shareholders

As at 30th June, 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than Directors, Supervisors or chief executive) had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company:

Name	Capacity	Number of the domestic shares of the Company held <i>(Note 1)</i>	Approximate percentage of the total issued domestic shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Xinjiang Tianye Company Limited ("Tianye Company") <i>(Note 3)</i>	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited ("Tianye Holdings") <i>(Note 4)</i>	Beneficial owner	111,721,926 (L)	35.23%	21.50%
	Interest in controlled corporation	202,164,995 (L)	63.75%	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 ("Long Thrive") (Notes 3)	Beneficial owner	14,407,000 (L)	7.12%	2.77%
Ding Wei ("Mr. Ding") (Note 4)	Interest in controlled corporation	14,407,000 (L)	7.12%	2.77%
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 were equivalent to approximately 7.12% of the total H shares in issue of the Company.
4. Long Thrive directly held 14,407,000 H shares in the Company. Long Thrive is wholly-owned by Mr. 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, 2018, 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, 2018, 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 and further instill confidence in the shareholders and the public in the Group. Throughout the six months ended 30th June, 2018, 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 standard under the Model Code for the six months ended 30th June, 2018.

## **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.

## **PURCHASE, SALE OF 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, 2018.

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

Xinjiang, the PRC, 8th August, 2018

\* *For identification purpose only*