



新疆天业节水灌溉股份有限公司
Xinjiang Tianye Water Saving Irrigation
System Company Limited*

Stock Code: 840



2021 ANNUAL REPORT

* for identification purposes only

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Corporate Information

DIRECTORS

Executive Directors

Mr. Li He (*Chairman*)
(*appointed as on 21 February 2022*)
Mr. Huang Dong
Mr. Tan Xinmin
Mr. Chen Lin (*resigned as on 21 February 2022*)

Independent non-executive Directors

Mr. Yin Feihu
Mr. Li Lianjun (*appointed as on 21 February 2022*)
Ms. Gu Li
Mr. Hung Ee Tek
Mr. Qin Ming (*resigned as on 21 February 2022*)

SUPERVISORS

Ms. Chen Jun
Mr. Xie Xinghui
Mr. Chen Cailai

QUALIFIED ACCOUNTANT

Ms. Chan Ching Yi

COMPANY SECRETARY

Ms. Chan Ching Yi

COMPLIANCE OFFICER

Mr. Yang Wan Sen

AUDIT COMMITTEE

Ms. Gu Li (*Chairman*)
Mr. Li Lianjun
Mr. Hung Ee Tek

REMUNERATION COMMITTEE

Mr. Yin Feihu (*Chairman*)
Mr. Li Lianjun
Mr. Huang Dong

NOMINATION COMMITTEE

Mr. Yin Feihu (*Chairman*)
Mr. Li Lianjun
Mr. Li He

AUDITOR

Pan China Certified Public Accountants LLP
4/F-10/F, Xihu Commercial Tower
128 Xixi Road Hangzhou
People's Republic of China ("PRC")

HONG KONG LEGAL ADVISER

Li & Partners
22nd Floor, World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

REGISTERED OFFICE

No. 36, Bei San Dong Road
Shihezi Economic and Technological
Development Zone
Shihezi
Xinjiang
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room B102, Block B, 10/F.,
International Industrial Building,
No. 501–503 Castle Peak Road,
Cheung Sha Wan
Kowloon
Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

China Construction Bank
No. 62–5–6 Dong Liu Road
Shihezi
Xinjiang
PRC

Bank of China
No. 253–1415 Bei Si Road
Shihezi
Xinjiang
PRC

Agricultural Bank of China
No. 6 Dong Jiu Road
Shihezi
Xinjiang
PRC

Industrial and Commercial Bank of China
No. 8 Dong Jiu Road
Bei Si Road
Shihezi
Xinjiang
PRC

Bank of Communications
No. 429 Xinhua Nan Road
Urumqi
Xinjiang
PRC

STOCK CODE

0840

WEBSITE

<http://www.tianyejieshui.com.cn>

Chairman's Statement



Dear **Shareholders**,

On behalf of the board of Directors, I hereby announce the report of Xinjiang Tianye Water Saving Irrigation System Company Limited together with its subsidiaries for the year ended 31st December, 2021.

BUSINESS REVIEW

- Operating income for the year ended 31st December, 2021 was approximately RMB1,111,618,000, an increase of approximately 57.32% from RMB706,588,000 for the year of 2020.
- The net loss attributable to the parent for the year ended 31st December, 2021 was approximately RMB66,836,000 (2020: net profit attributable to the parent of approximately RMB650,000).
- Basic and diluted loss per share for the year was approximately RMB0.13 (2020: earnings of approximately RMB0.0013).

PROSPECTS

China regards agriculture as its foundation, and therefore the quality and safety of agricultural products directly affect the health of its people. As a result, the government and agricultural producers have put forward high requirements for the safety, reliability and technical advancement of water-saving irrigation products, which require watersaving irrigation product manufacturers to continuously make substantial capital investment in research and development, upgrading and continuous quality improvement of existing products. China is a water-stressed country and is ranked as one of the 13 most water-stressed countries in the world. Due to the shortage and uneven distribution of water resources in China and the low efficiency of agricultural irrigation water, vigorously developing watersaving irrigation is not only an inevitable requirement for alleviating the shortage of water resources in China, but also an important means to build a conservation-oriented society and establish a water ecological civilization system. It was clearly proposed in the Report of the 19th National Congress of the Communist Party of China (the "CPC") that development of agriculture and rural areas shall be the top priority of the CPC and the PRC, and the strategy of rural revitalization was proposed at the Central Agricultural and Rural Work Conference (中央農村工作會議) held in December 2017, which will implement a three-step strategic plan for 2020, 2035 and 2050. In 2022, the State Council approved the National High Standard Farmland Construction Plan (2021–2030), which focuses closely on the goal of food production and specifies the overall requirements for the construction of high standard farmland in the

coming period, including construction standards and construction content, construction zoning and construction tasks, construction supervision and follow-up management, benefit analysis, implementation guarantee, etc., with an aim to striving to make the effective irrigation area of large and medium-sized irrigation areas into high-standard farmland on a priority basis through new construction projects and renovation projects, so as to ensure that 1 billion mu of high-standard farmland will be built by 2022, 1.075 billion mu by 2025, and 1.2 billion mu by 2030. China will make an overall plan for the simultaneous implementation of high-efficiency water-saving irrigation and high-standard farmland construction, in order to complete the construction of 110 million mu of new high-efficiency water-saving irrigated farmland within the planning period. In terms of implementation guarantee, firstly, strengthen the government investment. Provincial governments bear the main responsibility for local investment, and double down their efforts to support the construction of high-standard farmland by adjusting and improving the use of land sale revenue and integrating the funds from land sale revenue used for agriculture and rural areas. Secondly, improve diversified financing. Government will play the role of guidance and motivation in investment, and orderly guide financial capital, social capital and new agricultural business entities to invest in the construction of highstandard farmland through the improvement of the cooperation mechanism between banks and enterprises and the adoption of approaches such as investment grants, reward in substitution of subsidies and loan interest subsidies. Thirdly, integrate and aggregate funds. The funds will be integrated and aggregated from the central, provincial and county level and will be used for lands to ensure the completion of construction tasks. In the "14th Five-Year Plan" development plan, the Xinjiang Autonomous Region emphasizes the general policy of giving priority to the development of agriculture and rural areas, and the important development strategy of rural revitalization. In accordance with the Notice on Assigning Farmland Construction Tasks in 2022 (Nong Jian Fa [2021] No.7) issued by the Ministry of Agriculture and Rural Affairs, the Department of Agriculture and Rural Affairs of the Xinjiang Uygur Autonomous Region clarifies the construction tasks and promotes the construction of high-quality cotton base with a plan of building 5 million mu of high-standard cotton fields in 25 counties (cities) in 7 prefectures, indicating a bright market prospect in the future. Development Plan for 2022: In close pursuit of development pattern of "one core business and two new businesses (一主兩新)" proposed by Tianye Group, under the core business of "modern agriculture" and relying on its strategic development mode of "product, engineering, agricultural services, and trade", Tianye Water Saving will quickly complete the transformation from "a simple manufacturer" to "a comprehensive service provider". As an early listed water-saving company in the PRC with rich practical experience, the Company will be well positioned to seize the first opportunity arising from the policies of the rural revitalization, rural sewage treatment and high-standard farmland construction based on its own technical advantages, to achieve the rapid development of its business operations, thus providing a more solid guarantee for the Company to realize its idea of higher quality, higher efficiency and sustainable development. The Company will continue to make overall planning in close pursuit of the 14th five-year strategic development and planning goals. It considers the market expansion as the major driver and the strategic implementation as the lead, and adopt the measures of making structural adjustment and concentrating benefits to achieve its stable development, and enhance its overall strengths and competitiveness, thereby improving its overall operating capacity. The Group will never forget its original intention and will, based on customer needs and by adhering to the management concepts of technology leadership and quality leadership, provide customers with comprehensive technical support and after-sales service and continuously improve its overall strength, while continuously work hard to achieve various tasks of our business in 2022.

APPRECIATION

Finally, I would like 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.

Yours sincerely,

A handwritten signature in black ink, appearing to be the name 'Li He' in a stylized cursive script.

Li He

Chairman of the Board

Xinjiang, the PRC
30th March, 2022

Management Discussion and Analysis

OVERVIEW

As a pioneer in providing one-stop solutions for water saving irrigation system in the People's Republic of China (“**PRC**”), the Group is principally engaged in the design, manufacturing and sales of drip tapes, PVC/PE pipelines and drip assemblies used in water saving irrigation system. The Group is also engaged in the provision of installation services of water saving irrigation systems for its customers. The drip irrigation system plays a significant role in water conservation. It is a slow water delivery system in which every drop of water can be applied to the soil surface near the root of plants. The burden of deciding the timing of irrigation and the required amount of water can be relieved from the properly designed automatic drip irrigation system. The potential and importance of a water saving irrigation system have been recognised by both the PRC government and producers of agricultural products in the PRC.



The Group engages in water-saving irrigation project installation, high-standard farmland construction, integrated agricultural services, smart agriculture and raw material trading business, and its products for sales mainly include drip tapes, PVC pipelines and agricultural by products. The drip tapes can be categorised into five types, including (I) single-sided labyrinth-style drip tapes; (II) embedded-style drip tapes; (III) heavy flow compensatory style drip tapes; (IV) nanometer high-strength drip tapes; and (V) high anti-blocking drip tapes. The PVC pipelines can be categorised into three types, including (I) PVC-M pipes; (II) PVC-U pipes; and (III) PVC-O pipes. There is only one type of PE pipelines, namely PE-melting pipes. Furthermore, the Group plants and sells agricultural produce.

Along with the opportunities and challenges, the Group may face certain risks involved in its business. Fluctuation in raw materials prices will lead to an increase in the costs of the Group's products, thus lowering their competitiveness. In the short term, the Group relies on its key management and personnel. The Group also relies on the stable business relationships with certain major customers. In view of these, the Group will continue to maintain good relationships with its staff and will continue to provide training to its staff. Moreover, the Group will continue to place great emphasis on its after-sales services to its customers and will widen its customer base by expanding its sales and distribution network.

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2021, operating income of the Group was approximately RMB1,111,618,000, representing an increase of approximately 57.32% from approximately RMB706,588,000 for the year ended 31st December, 2020.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2021 and 31st December, 2020 by products:

| Category | For the year ended 31st December, 2021 | | For the year ended 31st December, 2020 | | Year-on-year percentage change |
|---------------------------------------|---|--|---|--|--------------------------------------|
| | Operating income RMB'000 | % to total Operating income % | Operating income RMB'000 | % to total Operating income % | |
| Drip tape and drip assemblies | 50,938 | 4.58 | 168,462 | 23.84 | -69.76 |
| PVC/PE pipelines | 285,668 | 25.70 | 343,484 | 48.61 | -16.83 |
| Provision of installation services | 224,452 | 20.19 | 162,564 | 23.01 | 38.07 |
| Trading income | 500,369 | 45.01 | 0.00 | 0.00 | 100.00 |
| Other operating income | 50,191 | 4.52 | 32,048 | 4.54 | 56.61 |
| Total | 1,111,618 | 100.00 | 706,558 | 100.00 | 57.33 |

For the year ended 31st December, 2021, sales of drip tape and drip assemblies decreased by approximately 69.76% to approximately RMB50,938,000, while sales of PVC/PE pipelines decreased by approximately 16.83% to approximately RMB285,668,000. At the same time, the sales volume of drip tape and drip assemblies decreased from approximately 8,562 tonnes for the year ended 31st December, 2020 to approximately 5,066.30 tonnes for the year ended 31st December, 2021, while the sales volume of PVC/PE pipelines decreased from approximately 38,205 tonnes for the year ended 31st December, 2020 to approximately 29,859.98 tonnes for the year ended 31st December, 2021. The increase in operating income was mainly attributable to recognition of the operating income of Hongrui Plastic following its acquisition by the Company in 2021.

Gross profit and gross profit margin

Gross profit and gross profit margin decreased from approximately RMB99,499,000 and 14.08% for the year ended 31st December, 2020 to approximately RMB69,253,000 and 6.23% for the year ended 31st December, 2021, respectively, mainly attributable to a decrease in gross profit margin, as a result from the growing price of raw materials and the rising management expenses despite significant increase in the operating income for the year from the acquired Hongrui Plastics.

Cost of sales

For the year ended 31st December, 2021, cost of sales of the Group was approximately RMB1,042,365,000, representing an increase of approximately 68.45% from approximately RMB618,800,000 for the year ended 31st December, 2020. Costs of sales for the year ended 31st December, 2021 comprised direct materials costs of approximately RMB413,387,000, direct labour costs of approximately RMB58,530,000 and production overhead of approximately RMB67,860,000, which accounted for approximately 39.67%, 5.61% and 6.51%, respectively, of the total costs of sales for year 2021. Costs of sales for the year ended 31st December, 2020 comprised direct materials costs of approximately RMB489,423,000, direct labour costs of approximately RMB58,976,000 and production overhead of approximately RMB58,976,000, which accounted for approximately 79.09%, 9.53% and 9.53%, respectively, of the total costs of sales for year 2020.

Distribution costs

Distribution costs were approximately RMB26,716,000 for the year ended 31st December, 2021, representing a decrease of approximately 5.52% from 2020. The amount accounted for approximately 2.4% of the total operating income for the year ended 31st December, 2021, which was 1.60% lower than its share of total operating income of approximately 4.00% in the previous year. Distribution costs mainly comprised salaries expenses, sales service fee, warehousing and storage fee etc.

Administrative expenses

Administrative expenses increased by approximately 11.38% to approximately RMB47,455,000 for the year ended 31st December, 2021. The amount accounted for approximately 4.27% of total operating income for the year ended 31st December, 2021, which was dropped by approximately 1.76% from its share of total operating income of approximately 6.03% in the previous year. For the year ended 31st December, 2021, salaries benefits fees increased to approximately RMB24,889,000, representing an increase of approximately 8.34%. Service fees and intermediary service fees increased to approximately RMB4,906,000 and approximately RMB4,461,000 representing an increase of approximately 23.51% and 20.96%, respectively, which led to an increase in administrative expenses.

Finance income/costs

Finance costs for the year ended 31st December, 2021 was approximately RMB3,453,000, consisting mainly of interest expense and commission charges, net of interest income, while finance income for the year ended 31st December, 2020 was approximately RMB1,771,000, consisting mainly of interest income, net of interest expenses and commission charges.

Assets impairment loss

The assets impairment loss for the years ended 31st December, 2021 was approximately RMB47,820,000, which mainly consisted of inventory impairment loss of approximately RMB22,029,000, impairment allowance for fixed assets of approximately RMB11,429,000, and bad debt loss of approximately RMB14,362,000, while assets impairment loss for the years ended 31st December, 2020 was approximately RMB8,703,000, which mainly consisted of inventory impairment loss of approximately RMB3,870,000, impairment allowance for fixed assets of approximately RMB577,000 and bad debt loss of approximately RMB4,256,000. Increase in provision for various impairment losses are attributable to (a) A greater increase in the amount of impairment loss on fixed assets is mainly due to the impairment adjusted by audit, as a result of the market contraction of the drip tape business in 2021, with the majority of fixed assets including drip tapes and drip assemblies being idle and depreciated towards expiration, which cannot generate economic benefits to the Company. (b) Credit impairment losses are mainly due to the impairment adjusted by audit, as a result of failure to recover some accounts receivable overdue for a long period in 2021, including amounts that cannot be recovered in time after the lawsuit was won, as well as failure to recover the project payment on time due to postponement of the completion and acceptance of some projects. (c) Inventory impairment losses are mainly due to provision for impairment losses adjusted by audit in that the existing inventory price is higher than the existing market price. Following provision for the above-mentioned impairment loss, the Company reported a larger loss in 2021.

Total profit/loss

As a result of the factors discussed above, the Group's audited total loss for the year ended 31st December, 2021 was approximately RMB62,845,000 while the total profit for the corresponding period in the previous year was approximately RMB1,163,000. The Group's total loss accounted for approximately 5.66% of its turnover for the year ended 31st December, 2021 and the total profit accounted for approximately 0.16% of its turnover for the corresponding period in the previous year.

Net profit/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 increased from net profit of approximately RMB650,000 for the year ended 31st December, 2020 to net loss of approximately RMB66,836,000 for the year ended 31st December, 2021. For the two years ended 31st December, 2021 and 2020, the Group's net loss/profit margins were approximately -6.01% and 0.30%, respectively.

FUTURE PROSPECTS:

China regards agriculture as its foundation, and therefore the quality and safety of agricultural products directly affect the health of its people. As a result, the government and agricultural producers have put forward high requirements for the safety, reliability and technical advancement of water-saving irrigation products, which require water-saving irrigation product manufacturers to continuously make substantial capital investment in research and development, upgrading and continuous quality improvement of existing products.

China is a water-stressed country and is ranked as one of the 13 most water-stressed countries in the world. Due to the shortage and uneven distribution of water resources in China and the low efficiency of agricultural irrigation water, vigorously developing water-saving irrigation is not only an inevitable requirement for alleviating the shortage of water resources in China, but also an important means to build a conservation-oriented society and establish a water ecological civilization system.

It was clearly proposed in the Report of the 19th National Congress of the Communist Party of China (the "CPC") that development of agriculture and rural areas shall be the top priority of the CPC and the PRC, and the strategy of rural revitalization was proposed at the Central Agricultural and Rural Work Conference (中央農村工作會議) held in December 2017, which will implement a three-step strategic plan for 2020, 2035 and 2050. In 2022, the State Council approved the National High Standard Farmland Construction Plan (2021–2030), which focuses closely on the goal of food production and specifies the overall requirements for the construction of high standard farmland in the coming period, including construction standards and construction content, construction zoning and construction tasks, construction supervision and follow-up management, benefit analysis, implementation guarantee, etc., with an aim to striving to make the effective irrigation area of large and medium-sized

irrigation areas into high-standard farmland on a priority basis through new construction projects and renovation projects, so as to ensure that 1 billion mu of high-standard farmland will be built by 2022, 1.075 billion mu by 2025, and 1.2 billion mu by 2030. China will make an overall plan for the simultaneous implementation of high-efficiency water-saving irrigation and high-standard farmland construction, in order to complete the construction of 110 million mu of new high-efficiency water-saving irrigated farmland within the planning period. In terms of implementation guarantee, firstly, strengthen the government investment. Provincial governments bear the main responsibility for local investment, and double down their efforts to support the construction of high-standard farmland by adjusting and improving the use of land sale revenue and integrating the funds from land sale revenue used for agriculture and rural areas. Secondly, improve diversified financing. Government will play the role of guidance and motivation in investment, and orderly guide financial capital, social capital and new agricultural business entities to invest in the construction of high-standard farmland through the improvement of the cooperation mechanism between banks and enterprises and the adoption of approaches such as investment grants, reward in substitution of subsidies and loan interest subsidies. Thirdly, integrate and aggregate funds. The funds will be integrated and aggregated from the central, provincial and county level and will be used for lands to ensure the completion of construction tasks. In the “14th Five-Year Plan” development plan, the Xinjiang Autonomous Region emphasizes the general policy of giving priority to the development of agriculture and rural areas, and the important development strategy of rural revitalization. In accordance with the Notice on Assigning Farmland Construction Tasks in 2022 (Nong Jian Fa [2021] No.7) issued by the Ministry of Agriculture and Rural Affairs, the Department of Agriculture and Rural Affairs of the Xinjiang Uygur Autonomous Region clarifies the construction tasks and promotes the construction of high-quality cotton base with a plan of building 5 million mu of high-standard cotton fields in 25 counties (cities) in 7 prefectures, indicating a bright market prospect in the future.

Development Plan for 2022: In close pursuit of development pattern of “one core business and two new businesses (一主兩新)” proposed by Tianye Group, under the core business of “modern agriculture” and relying on its strategic development mode of “product, engineering, agricultural services, and trade”, Tianye Water Saving will quickly complete the transformation from “a simple manufacturer” to “a comprehensive service provider”. As an early listed water-saving company in the PRC with rich practical experience, the Company will be well positioned to seize the first opportunity arising from the policies of the rural revitalization, rural sewage treatment and high-standard farmland construction based on its own technical advantages, to achieve the rapid development of its business operations, thus providing a more solid guarantee for the Company to realize its idea of higher quality, higher efficiency and sustainable development. The Company will continue to make overall planning in close pursuit of the 14th five-year strategic development and planning goals. It considers the market expansion as the major driver and the strategic implementation as the lead, and adopt the measures of making structural adjustment and concentrating benefits to achieve its stable development, and enhance its overall strengths and competitiveness, thereby improving its overall operating capacity.

The Group will never forget its original intention and will, based on customer needs and by adhering to the management concepts of technology leadership and quality leadership, provide customers with comprehensive technical support and after-sales service and continuously improve its overall strength, while continuously work hard to achieve various tasks of our business in 2022.

INDEBTEDNESS

Borrowings

As at 31st December, 2021, the Group had outstanding bank loans of RMB43,418,000 (2020: RMB53,059,000).

Commitments

As at 31st December, 2021, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB720,000 (2020: RMB820,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2021 were approximately 1.90 and 0.88, respectively, representing a slight decrease of 0.19 in current ratio and a slight decrease of 0.05 in quick ratio when compared to those as at 31st December, 2020.

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, 2021, 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 RMB926,000 (2020: approximately RMB1,203,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2021, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 8.21% (2020: 9.31%). This was primarily due to the fact that the Group's bank loan amounted to RMB43,418,000 in 2021 and RMB53,059,000 in 2020. 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, 2021.

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, 2021, the Group had no contingent liabilities (2020: Nil).

Events after the reporting period

No other material events have occurred after the reporting period and up to the date of this report.

Exposure to fluctuations in exchange rates and related hedges

The Group's present operations are mainly carried on in the PRC and all of 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 2020 and 2021.

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, 2021, the Group had 527 employees (2020: 528) 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 RMB8,494,000 for the year ended 31st December, 2021.

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 or otherwise become unemployed, the amount of which is included to expenses incurred from the retirement benefits scheme.

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 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 member of the previous financial year. Such contribution may be varied with those cities with better conditions. The housing pension scheme is mandatory.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31st December, 2021, the Company acquired the 34.06% equity interest of Urumuqi Hongrui Plastic Trade Limited. by way of capital contribution in cash. On 26th May, 2021, the Company entered into a capital increase agreement with the Target Company, Ms. Deng and Mr. Li, pursuant to which the Company agreed to inject capital into the Target Company and held 34.06% equity interest in the Target Company, and the Target Company became a subsidiary of the Company and its financial statements are included in the consolidated financial statements.

Save as the above, for the year ended 31st December, 2021, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

MATERIAL INVESTMENTS

For the year ended 31st December, 2021, the Group had no material investments.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of the members of the Company will be closed from Thursday, 2nd June, 2022 to 8th June, 2022 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Wednesday, 1st June, 2022.

Corporate Governance Report

The board of directors (the “**Board**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”), together with its subsidiaries (referred as the “**Group**”) is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2021.

CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to improvement in its accountability and transparency and thus further instill confidence of its shareholders and the public. Except as described below, throughout the year ended 31st December, 2021, the Group has complied with the code provisions in the “Corporate Governance Code and Corporate Governance Report” (the “**Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Pursuant to Code Provision I(f), the Company shall have sufficient number of independent non-executive directors with accounting or related financial management expertise. The Company failed to comply with the relevant code provision during the reporting period. However, the Company currently has sufficient independent non-executive directors to comply with the relevant code provision.

THE BOARD

Composition

As at 31st December, 2021 and at the date of this report, the Board comprises seven directors (“**Directors**”), including three executive Directors and four independent non-executive Directors. The Board members have no financial, business, family or other material/relevant relationships with each other. Members of the Board are composed of experts with various expertise and professional background in different industries, who have worked for the government agencies in the PRC, public listed companies or other entities. All Directors give sufficient time and attention to the affairs of the Group. The particulars of each Director are set out in the section of Directors, Supervisors and Senior Management on pages 29 to 33 of this annual report.

The presence of four independent non-executive Directors at the date of this report is considered by the Board to be a reasonable balance between executive and independent non-executive Directors, and the Board is of the opinion that such balance has provided and shall continue to provide adequate checks and balances for safeguarding the interests of the Group and its shareholders. The four independent non-executive Directors possess appropriate professional qualifications and two of whom possess appropriate professional qualifications or accounting or related financial management expertise.

In addition, the Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, which has been verified.

All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Delegation by the Board

The Board is responsible for decision making in relation to the overall strategic planning and development of the Group's business. Due to the diversity and volume of the Group's business, responsibility in relation to the daily operations and execution of the strategic business plans are delegated to the management. The Board has given clear directions as to the powers of the management, and periodically reviews all delegations to the management to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

The Board Committees (the "**Committees**"), including the remuneration committee ("**Remuneration Committee**"), the nomination committee ("**Nomination Committee**") and the audit committee ("**Audit Committee**") have their specific terms of reference clearly defining the powers and responsibilities of the respective Committees. All Committees are required by their terms of reference to report to the Board in relation to their decisions, review findings or recommendations, and, in certain specific situations, to seek the Board's approval before taking any actions.

Corporate Governance Functions

The Board has established three committees, namely the Remuneration Committee, Audit Committee and Nomination Committee to oversee various aspects of the Company's affairs. The three committees are provided with sufficient resources to discharge their duties.

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and (v) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report. For the year ended 31st December, 2021, the Board has reviewed the Company's corporate governance practices and was of the view that such practices were effective.

Board Meetings and General Meeting

The Board is principally responsible for formulating and reviewing the overall strategies and the fundamental systems of the Group, and approving major transactions and other material operational and financial matters, as well as annual budget and quarterly, interim and annual results. The Board shall meet, at least, four times a year while extraordinary meetings may be held as required. The full Board held 11 physical meetings for the financial year ended 31st December, 2021. At least 14 days' notice of all meetings of the Board ("**Board Meetings**") were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion at the Board Meetings. The company secretary (the "**Company Secretary**") assisted the Chairman in preparing the agenda for the Board Meetings, and ensured that the Board procedures and all applicable rules and regulations were observed. The finalised agenda and accompanying board papers were then sent to all Directors at least three days prior to each proposed Board Meeting.

In addition, the Company holds general meeting to maintain an on-going dialogue with Shareholders. For the year ended 31st December, 2021, the Board held 11 regular meetings and 1 general meeting.

The following are the attendance records of the Board Meetings and general meeting by each Director:

| Attendants | Number of meetings attended/Total |
|--|-----------------------------------|
| Executive Directors | |
| Mr. Li He (<i>chairman of the Board, hereinafter referred to as the "Chairman"</i>) (<i>appointed as on 21st February, 2022</i>) | NA |
| Mr. Huang Dong | 11/11 |
| Mr. Tan Xinmin | 11/11 |
| Mr. Chen Lin (<i>resigned as on 21st February, 2022</i>) | 11/11 |
| Independent Non-executive Directors | |
| Mr. Yin Feihu | 11/11 |
| Mr. Li Lianjun (<i>appointed as on 21st February, 2022</i>) | NA |
| Ms. Gu Li | 11/11 |
| Mr. Hung Ee Tek | 11/11 |
| Mr. Qin Ming (<i>resigned as on 21st February, 2022</i>) | 11/11 |

During the Board Meetings, the Directors discussed and formulated the overall strategies of the Group, monitored financial performances and discussed the annual, quarterly and interim results, set next year's budgets, as well as discussed and decided other significant matters. Execution of daily operational matters of the Group is delegated to the management.

The Company Secretary recorded the proceedings of each Board Meeting in detail by keeping detailed minutes. Draft and finalised minutes of Board Meetings were circulated to all Directors for their comments and recorded respectively at a reasonable time as soon as practicable after each meeting. All minutes are open for inspection at any reasonable time on request by any Director.

All Directors have access to the relevant and timely information at all times as the Chairman will ensure that the management will supply the Board and its Committees with all relevant information in a timely manner. They may make further enquiries if in their opinions it is appropriate or necessary to request further information. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing Directors with board documentation and related materials to ensure all applicable laws and rules are fully complied with. If it is considered to be necessary and appropriate by the Directors, they may retain independent professional advisors at the Group's expense.

In case that a conflict of interest may arise on a matter to be considered by the Board which involves a substantial shareholder or a Director, such matter will be discussed in a physical Board Meeting and will not be dealt with by written resolutions. Independent non-executive Directors who do not have any conflict of interest on the matter will be present at such meetings and to deal with such conflicting issue.

All of the three Committees have adopted the applicable principles, procedures and arrangements used in Board Meetings.

Chairman and General Manager of the Group

The Chairman of the Group is Mr. Li He and general manager is Mr. Yang Wan Sen. The roles of Chairman and general manager are separate and not performed by the same individual to ensure a balance of power and authority, so that power is not concentrated in any one individual. The Chairman of the Group is responsible for the management of the Board, whereas the general manager is responsible for the daily operations of the Group.

The Chairman is responsible for leading the Board and ensuring the Board works effectively, through which the Chairman will ensure that good corporate governance practices and procedures are established and followed, and that all Directors receive all relevant information in a timely manner. The Chairman is responsible for ensuring Directors are properly notified of the matters in question prior to each Board Meeting.

The Chairman will also encourage all Directors, including the independent non-executive Directors, to actively participate in all Board Meetings and the Committee meetings.

Terms of Appointment and Re-election

All independent non-executive Directors are appointed for a specific term of three years. The Directors are appointed at the general meeting of the Company. All Directors, including the executive and independent non-executive Directors, would retire from office and are subject to re-election at the general meeting of the Company once every three years.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. During the year ended 31st December, 2021, the Group continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

The participation by individual directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2020 is recorded in the table below.

| | Reading materials/in house briefing | Attending seminars/conferences/forums |
|---|-------------------------------------|---------------------------------------|
| Executive Directors | | |
| Mr. Li He (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Mr. Huang Dong | ✓ | ✓ |
| Mr. Tan Xinmin | ✓ | ✓ |
| Mr. Chen Lin (<i>resigned as on 21st February, 2022</i>) | ✓ | ✓ |
| Independent Non-executive Directors | | |
| Mr. Yin Feihu | ✓ | ✓ |
| Mr. Li Lianjun (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Ms. Gu Li | ✓ | ✓ |
| Mr. Hung Ee Tek | ✓ | ✓ |
| Mr Qin Ming (<i>resigned as on 21st February, 2022</i>) | ✓ | ✓ |

COMPANY SECRETARY

Under Rule 3.29 of the Listing Rules, Ms. Chan Ching Yi has confirmed she has received not less than 15 hours of relevant professional training for the year ended 31st December, 2021.

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 10 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 they have complied with the required standards under the Model Code for the year ended 31st December, 2021.

REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. Yin Feihu, an independent non-executive Director, and other members include Mr. Huang Dong, an executive Director and Mr. Li Lianjun, an independent non-executive Director.

The Remuneration Committee is responsible for formulating the remuneration policy and recommending to the Board, determining the remuneration of executive Directors and senior management of the Group, and reviewing the Company’s bonus structure, provident fund and other compensation-related issues. The Remuneration Committee will consult with the Chairman and/or the general manager on its proposals and recommendations, and also have access to professional advice if considered necessary by the Remuneration Committee. The Remuneration Committee is provided with sufficient resources enabling it to discharge its duties.

For the year ended 31st December, 2021, the Remuneration Committee held one meeting. The individual attendance records of each member are as follows:

| Attendants | Number of Meetings | |
|---|--------------------|------------|
| | Attended/Total | Percentage |
| Mr. Yin Feihu (<i>Chairman</i>) | 1/1 | 100% |
| Mr. Li Lianjun (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Mr. Huang Dong | 1/1 | 100% |
| Mr. Qin Ming (<i>resigned as on 21st February, 2022</i>) | 1/1 | 100% |

For the year ended 31st December, 2021, the Remuneration Committee reviewed matters relating to remuneration for the Directors and senior management, and discussed the remuneration policy of the Group.

NOMINATION COMMITTEE AND APPOINTMENT OF DIRECTORS

Nomination Committee

The Chairman of the Nomination Committee is Mr. Yin Feihu, an independent non-executive Director, and other members include Mr. Li He, an executive Director and Mr. Li Lianjun, an independent non-executive Director.

The Nomination Committee is responsible for formulating nomination policy, and making recommendations to the Board on nomination and appointment of Directors and Board succession. It also develops selection procedures of candidates for nomination. In respect of the policy concerning Board diversity, which was adopted by the Board in September 2013, the Nomination Committee will take into account of the Group's business model and specific needs, and consider, among other things, the educational background, professional and business experience, profile, gender and age diversity of the Board as well as the suitability for the businesses of the Group in its selection of candidates. The Nomination Committee is provided with sufficient resources enabling it to discharge its duties.

Nomination procedures include identification and acknowledgement of qualified individuals by the Nomination Committee, and review and approval of such nomination by the Board. The Nomination Committee will also evaluate potential candidates by considering factors such as relevant experience, personal ethics and integrity.

For the year ended 31st December, 2021, the Nomination Committee held two meetings. The individual attendance records of each member are as follows:

| Attendants | Number of Meetings | |
|---|--------------------|------------|
| | Attended/Total | Percentage |
| Mr. Yin Feihu (<i>Chairman</i>) | 2/2 | 100% |
| Mr. Li He (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Mr. Li Lianjun (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Mr. Chen Lin (<i>resigned as on 21st February, 2022</i>) | 2/2 | 100% |
| Mr. Qin Ming (<i>resigned as on 21st February, 2022</i>) | 2/2 | 100% |

During the year ended 31st December, 2021, the Nomination Committee reviewed the established policy and procedure for the nomination and appointment of new Directors, and assessed the independence of the independent non-executive Directors. The Nomination Committee, having reviewed the structure, size, composition and diversity of the Board including the background, experience, balance of skills, age and gender of each Director in respect to the Group's business strategy as well as the structure for the rotation of Directors, considered that the existing arrangements were appropriate.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company that give a true and fair view of the financial position of the Group on a going concern basis, and other inside information announcements and other financial disclosures. The management provides all relevant information to the Board enabling the Board to make an informed view of financial and other data.

The Chairman of the Audit Committee is Ms. Gu Li, and the other members are Mr. Li Lianjun and Mr. Hung Ee Tek, all being independent non-executive Directors.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports and the auditor's report present a true and fair assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Company Secretary keeps the minutes of all Audit Committee meetings. In line with the practices of the Board Meetings and other Committee meetings, draft and finalised minutes of Audit Committee meetings are circulated to all members of the Audit Committee as soon as practicable after each meeting. For the year ended 31st December, 2021, the Audit Committee held four meetings. The individual attendance records of each member are as follows:

| Attendants | Number of Meetings Attended/Total | Percentage |
|--|--------------------------------------|------------|
| Ms. Gu Li (<i>Chairman</i>) (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Mr. Li Lianjun (<i>appointed as on 21st February, 2022</i>) | NA | NA |
| Mr. Hung Ee Tek | 4/4 | 100% |
| Mr. Qi Ming (<i>resigned as on 21st February, 2022</i>) | 4/4 | 100% |
| Mr. Yin Feihu (<i>resigned as on 21st February, 2022</i>) | 4/4 | 100% |

During the year ended 31st December, 2021, the Audit Committee reviewed the final, quarterly and interim results of the Group, and discussed and approved financial and other reports for the year. The Audit Committee also reviewed and discussed the Group's internal audit plans and arrangements for the upcoming year; reviewed the audit fees payable to the external auditors for the year with a recommendation to the Board for approval; and reviewed the external auditors' independence, with a recommendation to the Board for the re-appointment of the current external auditors at the forthcoming annual general meeting (the "AGM") and the Board endorsed the Audit Committee's recommendation on the re-appointment of Pan China Certified Public Accountants LLP ("Pan China") as the external auditors.

The work scope and responsibilities of Pan China are stated in the section entitled "Auditor's Report" in the annual report.

Auditors' remuneration

For the year ended 31st December, 2021, the external auditor of the Company, Pan China, was not engaged in any non-audit services and its fee in respect of the audit services provided are set out below:

| Services rendered | 2021 RMB'000 | 2020 RMB'000 |
|-------------------|-----------------|-----------------|
| Audit services | 750 | 700 |

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control systems for the Group to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems.

The systems include a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

For the year ended 31st December, 2021, the Board has, through the Audit Committee with the assistance of the internal audit manager (“**Internal Audit Manager**”), conducted a review on the Group’s risk management and internal control systems, including without limitation to financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems of the Group are effective and there is no non-compliance, impropriety, fraud or other deficiencies that suggest material deficiency in the effectiveness of the risk management and internal control systems of the Group.

The Board assesses the effectiveness of the risk management and internal control systems by considering reviews conducted by the Audit Committee, senior management and internal auditor. The Internal Audit Manager follows a risk-and-control-based approach. An audit plan would be formulated in a risk-weighted manner so that priorities and appropriate audit frequency could be given to areas with higher risks. The Internal Audit Manager performs regular financial and operational reviews on the Group. Summaries of major audit findings and possible control weaknesses, if any, are reviewed by the Audit Committee. The Internal Audit Manager monitors the follow-up actions agreed upon in response to the recommendations made by the Audit Committee.

DIRECTOR’S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the accounts of the Group. In preparing the accounts for the financial year under review, the Directors have:

- based on a going concern basis;
- selected suitable accounting policies and applied them consistently; and
- made judgments and estimates that were prudent, fair and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor’s Report on pages 48 to 237.

RELATIONS WITH SHAREHOLDERS

The Group is committed to maintaining the highest level of transparency, employs a policy of open and timely disclosure of quarterly information to its shareholders. This commitment to fair disclosure and comprehensive and transparent reporting of the Group’s activities can be reflected in many aspects.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The AGM of the Company provides an excellent opportunity for the Board to meet and communicate with the shareholders. All Directors make an effort to attend the AGM so that they may answer any questions from the shareholders of the Company.

The Chairman is actively involved in organising the AGM and personally chairs it, so as to ensure that shareholders' views are delivered to the Board. External auditors as well as members of the Remuneration Committee, the Nomination Committee, the Audit Committee and the Compliance Committee, also attend the AGM to answer questions that shareholders may raise. A separate resolution is proposed by the Chairman in respect of each separate issue at the AGM.

The proceedings of the AGM are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. A circular in respect of the AGM, which is circulated to all shareholders at least 20 days prior to the AGM, sets out details in relation to each resolution proposed, and other relevant information.

The Company also communicates with its shareholders through its annual reports, quarterly results announcement and interim reports. All such reports and announcements can also be accessed via the Company's website. The Directors, Company Secretary or other appropriate members of senior management also respond to inquiries from shareholders and investors promptly.

SHAREHOLDERS' RIGHTS

Pursuant to Article 8.05 of the Company's Articles of Association, one or more shareholders holding in aggregate 10% or more of the issued shares of the Company may request the Board to convene a shareholders' extraordinary general meeting, and upon receipt of such request, the Board shall convene the meeting within two months. Qualified shareholder(s) who wish(es) to request for convening a shareholders' extraordinary general meeting may send his/its/their written request(s) (together with full details of the matters to be decided at the meeting) to the Company.

DIVIDEND POLICY

The Company considers stable and sustainable returns to the Shareholders to be its goal. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

- the financial condition of the Group;
- the liquidity position and expected working capital requirements of the Group;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the retained earnings and distributable reserves of the Company and each of the members of the Group; and
- any other factors that the Board deems appropriate.

The payment of the dividend by the Company is also subject to any restrictions under the PRC Companies Law and the Articles of Association of the Company.

Any final dividend declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting of the Company and must not exceed the amount recommended by the Board. The dividend policy will continue to be reviewed from time to time and there can be no assurance that a dividend will be proposed or declared in any specific period.

Should shareholders have any enquiries or wish to put forward any proposals at any shareholders meeting, they are engaged to contact the Company by the following means:

| | For holders of H Shares | For holders of Domestic Shares |
|-------------------------|---|---|
| Contact party: | The Company's H Share registrar and transfer office | The Company's registered office |
| Fax No.: | (852) 28611465 | (86993) 2623183 |
| Correspondence address: | Level 22, Hopewell Centre 183 Queen's Road East Hong Kong | No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC |

AMENDMENTS TO ARTICLES OF ASSOCIATION

For the year ended 31st December, 2021 and to the date of this report, the Articles of Association of the Company were approved to be amended in accordance with the special resolutions as set out in the circular of general meetings on 18th February, 2021. For details of such amendments, please refer to the proposed amendments to the Articles of Association as set out in the circular of the general meetings dated 14th January, 2021.

INVESTOR RELATIONSHIPS

To strengthen its relationship with investors, the Group meets with analysts, accommodates visiting funds and investors, and participates in conferences and presentations.

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li He, aged 45, a member of the Communist Party of China, graduated from Ningxia University with a dual bachelor's degree in landscape architecture and administrative management. Mr. Li He was awarded a qualification certificate for engineering by the Ministry of Agriculture of China in 2008. He joined Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司) (the controlling Shareholder of the Company) as a technician in 2003. He joined the Company in 2005 and has been serving as a deputy general manager of the Company since 2009. Mr. Li He is also an executive director of Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司) (a wholly-owned subsidiary of the Company) and Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd* (新疆天業南疆節水農業有限公司) (a wholly-owned subsidiary of the Company), as well as a director of Zhongxinnong Modern Water Saving Technology Company Limited* (中新農現代節水科技有限公司) (a subsidiary of the Company) and Urumuqi Hongrui Plastic Trade Limited* (烏魯木齊泓瑞塑化商貿有限公司) (a subsidiary of the Company). Mr. Li was appointed as an executive Director of the Company and Chairman of the Board on 21 February 2022.

Mr. Huang Dong, aged 49, who graduated from Xi'an Mining Industry College with a bachelor's degree, is a senior engineer. Previously, he served as deputy general manager and deputy plant president at Xinjiang Shihezi City Zhongfa Chemical Co., Ltd.* (石河子中發化工有限責任公司) and Shihezi Chemical Plant. Currently, Mr. Huang holds office as the deputy party secretary, deputy general manager and deputy plant president of Xinjiang Shihezi City Zhongfa Chemical Co., Ltd. And Shihezi Chemical Plant, as deputy director at the technology center of Xinjiang Tianye (Group) Co., Ltd., and as director of Xinjiang Tianye Company Limited ("**Tianye Company**"). Mr. Huang was appointed as an executive Director of the Company on 26 February, 2019.

Mr. Tan Xinmin, aged 53, who graduated from Bingtuan Radio & TV University, Shihezi* (兵團廣播電視大學石河子分校) with an undergraduate degree, is an assistant accountant. From August 1985 to November 1986, he held office at the Shihezi Beiye Prison. Subsequently, he took up employment at Shihezi 141st Regiment from December 1986 to October 1999, and at Tianye Plastic Plant from November 1999 to March 2002. Since April 2002, Mr. Tan has been working at Gansu Tianye Water Saving Device Co., Ltd., during which, his positions include accountant, fiscal chief, chairman, and general manager. Currently, he is the chairman and general manager of Gansu Tianye Water Saving Device Co., Ltd. Mr. Tan was appointed as an executive Director of the Company on 26 February, 2019.

Mr. Chen Lin, aged 46, is an executive Director and Chairman of the Board. Mr. Chen graduated from Shihezi University with undergraduate qualifications and obtained a researcher qualifications certificate awarded by the PRC Ministry of Agriculture in October 2016. He has been engaged in agricultural water conservation research in the past 12 years and has been in charge of and participated in numerous projects on water-saving agricultural irrigation technologies. Since he joined the Company in August 2010, he has been an executive Director and was appointed as Chairman of the Board on 7 August 2014. Mr. Chen was resigned as an executive Director of the Company and Chairman of the Board on 21 February, 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yin Feihu, aged 69, is an independent non-executive Director. Mr. Yin graduated from China Agricultural University with a master degree in agricultural extension (MAE) and education background in agriculture, chemical engineering, computer and economic management. Currently, Mr. Yin is research associate with Xinjiang Academy of Agricultural And Reclamation Science, as well as a member of the International Geosphere-Biosphere Programme (IGBP), China National Committee, a director of Soil Science Society of China, managing director of Chinese Society of Plant Nutrition And Fertilizer Sciences, deputy director of National Cotton Processing Engineering Technology Research Center, vice chairman of Xinjiang Academy of Agricultural Sciences, vice chairman of Xinjiang Soil And Fertilizer Association, chairman of the Society of Plant Nutrition And Fertilizer Science, Xinjiang Production and Construction Corps, a doctoral tutor with China Agricultural University. He engaged in agricultural research for more than 30 years. Mr. Yin was appointed as an independent non-executive Director of the Company in May 2013.

Mr. Li Lianjun, aged 57, a member of the Communist Party of China, graduated from Shihezi Radio and Television University* (石河子廣播電視大學) with a bachelor's degree in law. Mr. Li Lianjun was qualified as a lawyer in 1998 and started his career as a professional lawyer in 2003. Besides currently serving as the director of Shanghai Hansheng (Shihezi) Law Firm* (上海漢盛(石河子)律師事務所), Mr. Li Lianjun is currently a member of the Party Committee of the Lawyers Association of Xinjiang Production and Construction Corps* (兵團律師協會), a vice president of the Lawyers Association of Xinjiang Production and Construction Corps* and the president of Shihezi Lawyers Association* (石河子律師協會). Mr. Li Lianjun is well-experienced in providing legal retainer services. Mr. Li Lianjun was appointed as an independent non-executive Director of the Company on 21 February 2022.

Ms. Gu Li, aged 52, who graduated from Xinjiang University of Finance & Economics with a bachelor's degree, is a certified public accountant and a national judicial accounting appraiser. From June 1991 to November 2000, Ms. Gu was a senior staff member and worked as an accountant in the Poverty Alleviation Office of Xinjiang Production and Construction Corps. Since December 2000, she has been responsible for auditing at Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd.* (新疆新新華通有限責任會計師事務所). From June 2004 to January 2010, Ms. Gu served as the manager of Audit Department 2 of Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd., and was promoted as deputy director of the same firm from January 2010 to January 2012. She has been serving as the director, legal representative and chief accountant of Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd. since 2012. Ms. Gu was appointed as an independent non-executive Director of the Company on 26 February, 2019.

Mr. Hung Ee Tek, aged 59, is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. Mr. Hung holds the Master of Arts in International Accounting from the City University of Hong Kong and the Master of Arts in Global China Studies from the Hong Kong University of Science and Technology. Mr. Hung has more than 25 years of experience in audit, accounting and financing. Mr. Hung was appointed as an independent non-executive Director of the Company on 26 February, 2019.

Mr. Qin Ming, aged 51, is an independent non-executive Director. Mr. Qin graduated from Xinjiang University with a major in law and has obtained qualifications as a registered accountant and a lawyer in PRC. He works at Xinjiang Hongtong Natural Gas Co., Ltd.* (新疆洪通燃氣股份有限公司) and he is also the legal counsel of Xinjiang Bayi Iron & Steel Co., Ltd. and Xinjiang Tianshan Wool Tex Stock Co., Ltd. He has over 10 years of experience in legal affairs. Mr. Qin was appointed as an independent non-executive Director of the Company in May 2013 and was resigned on 21 February 2022.

SUPERVISORS

Ms. Chen Jun, aged 56, is a supervisor and the Chairman of Supervisory Committee of the Company. Ms. Chen graduated from the Central Communist Party Institution with a major in economic management. She was awarded senior economist qualification certificate in 2015. Ms. Chen joined Tianye Holdings in 1990, and served as deputy party secretary when joining the Group in December 2015. She has more than 20 years of experience in business management. Ms. Chen was appointed as a worker representative supervisor of the Company and Chairman of Supervisory Committee in June 2016.

Mr. Chen Cailai, aged 38, graduated from Xinjiang Agricultural University with a major in applied chemistry. He obtained a professional qualification of engineer in January 2008. Mr. Chen joined Tianye Holdings in 2007. Mr. Chen has been serving as the member of monitoring office of the party committee of Tianye Holdings since April 2017 and currently is the director of purchasing and supply centre of Tianye Group. He has over ten years of experience in engineering. Mr. Chen was appointed as the Supervisor of the Company in June 2018.

Mr. Xie Xinghui, aged 59, who graduated from Chongqing Construction Engineering College* (重慶建築工程學院) in October 1981 with bachelor's degree, is a senior architect. Previously, Mr. Xie held office as deputy director, director, and deputy president of the Six Design Office of Shihezi Sub-institute of Xinjiang Production and Construction Corps Geotechnical Investigation and Design Institute* (新疆兵團勘測設計研究院石河子分院設計六所). In March 2003, he served as the president of the Shihezi Sub-institute of Xinjiang Production and Construction Corps Construction Design Institute* (兵團建工設計研究院石河子分院). Furthermore, he has various official titles, including member of the National Committee of the Chinese People's Political Consultative Conference (Xinjiang Autonomous Region), member of the Standing Committee of the Chinese People's Political Consultative Conference (Shihezi), chairperson of the Revolutionary Committee of the Chinese Kuomintang (Shihezi), executive of Central Entrepreneurship Association of the Revolutionary Committee of the Chinese Kuomintang* (民革中央企業家聯誼會), vice president of Xinjiang Entrepreneurship Association of the Revolutionary Committee of the Chinese Kuomintang* (民革新疆企業家聯誼會), and president of Shihezi Entrepreneurship Association* (石河子企業聯合會). Mr. Xie was appointed as a supervisor of the Company on 26 February, 2019.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Chan Ching Yi, aged 47, is the financial controller, company secretary and one of the authorised representatives of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants and has accumulated more than 20 years of financial and auditing experience. She is currently the company secretary of ShiFang Holding Company (stock code: 1831), a company listed on the Main Board of the Stock Exchange. She joined the Company in February 2018.

COMPLIANCE OFFICER

Mr. Yang Wan Sen, aged 48, is a deputy general manager of the Company. Mr. Yang graduated from the Central Radio and Television University with a bachelor's degree in administrative management, and obtained a master's degree in agricultural extension in Shenyang Agricultural University in 2017. Mr. Yang was awarded the economist qualification certificate from the Human Resources and Social Security Bureau of Xinjiang Production and Construction Corps in June 2006. He joined the Group in September 2001 and has been a deputy general manager of the Company since October 2011. Mr. Yang was an executive Director of the Company from June 2016 to February 2019.

SENIOR MANAGEMENT

Mr. Chen Jun, aged 58, is a deputy general manager of the Company. Mr. Chen graduated from the Central Communist Party Institution with a major in economic management. Mr. Chen was awarded a qualification certificate for engineering by the Ministry of Agriculture of the PRC in September 2005. He joined the Company in 1999 and has been a deputy general manager of the Company since October 2008, and resigned on 21st February, 2022.

Mr. Zhu Jia Ji, aged 59, is a deputy general manager of the Company. Mr. Zhu graduated from Agricultural and Machinery School of Shihezi, Xinjiang. He obtained an engineer qualification certificate issued by Ministry of Agriculture of the PRC in 2002. He has been a deputy sales manager of the Company since he joined the Company in December 1999. He is also the chairman of Kuitun Tiantun and Hami Tianye, both are subsidiaries of the Company. Mr. Zhu was appointed as an executive Director of the Company during 10th May, 2007 to June 2016 and was appointed as a director and deputy general manager of Tianye Company during 2007 to 2014, and retired in March 2021.

Mr. Yang Qiang, aged 50, is a deputy general manager of the Company. Mr. Yang graduated from Party Institution of the Corps Party Committee with a college major in economic management. Mr. Yang served as deputy chief agronomist of the 134th Regiment of the Eighth Division and director of the Water Management Institute in July 2013; and deputy general manager of Modern Agricultural Investment Co., Ltd. (現代農業投資有限公司) in August 2016. He joined the Group since December 2018 and served as the deputy general manager of the Company.

Mr. Xiang Duo Wu, aged 46, the secretary to the Board of the Company with a bachelor's degree, is a certified public accountant. Previously, he served as the responsible person for finance at Xinjiang Shihezi City Changyun Biochemical Co., Ltd., Chemical Plant of Xinjiang Tianye Company Limited, Calcium Carbide Plant of Xinjiang Tianye Company Limited, Xinjiang Tianye (Group) Mining Co, Ltd* and Xinjiang Tianfu Xinye Energy Co., Ltd.* (新疆天阜新業能源有限責任公司), respectively. Mr. Xiang was appointed as the secretary to the Board of the Company in March 2021.

Mr. Li Bao Zhu, aged 46, chief engineer of the Company. Mr. Li graduated from College of Water Resources and Architectural Engineering of Northwest A & F University with a major in water and soil conservation in 2000 and he obtained a master degree in hydraulic engineering from Northwest A & F University in 2008. He obtained a senior engineer qualification certificate in 2010. Mr. Li joined Tianye Holdings in 2000 and responsible for planning and design of water saving irrigation project. Mr. Li has over ten years of experience in water saving irrigation project design and implementation and relevant technology research. Mr. Li joined the Company in 2015 and was appointed as chief engineer of the Company in June 2016.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there were no changes in the information of the directors of the Company during the year ended 31st December, 2021.

Report of the Directors

The directors of the Company (the “**Directors**”) present their annual report and the audited consolidated financial statements for the year ended 31st December, 2021.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is engaged in the design, manufacturing and sales of drip tapes, PVC/PE pipelines and drip assemblies used in agricultural water saving irrigation systems, and is also engaged in the provision of installation services of water saving irrigation systems for its customers as well as engaged in land circulation and engineering business, and strategic developing digital agriculture and agriculture service business. Details of the principal activities of its subsidiaries are set out in section 1 of part VII to the consolidated financial statements.

Further discussion and analysis on the relevant businesses stipulated in Schedule 5 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including the discussion on principal risks and uncertainties faced by the Group and future business growth direction are set out in the section headed “Management Discussion and Analysis” on pages 7 to 16 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2020 are set out in the consolidated income statement on pages 63 to 68 of this annual report. The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2021 (2020: Nil).

FIVE-YEAR FINANCIAL STATEMENT

A summary of the published results of the Group for the last five financial year as set out on page 239 of this annual report. This summary does not form part of the audit report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB926,000 on acquiring new plants and machines, and approximately RMB56,145,000 on construction in progress. Details of the above and of other movements in construction in progress and the property, plant and equipment of the Group for the year are set out in note 140 to note 145 of section I of part V to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in note 163 of section 1 of part V to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to Shareholders is the retained profits as stated in the financial statements of the Group prepared in accordance with the "Enterprise Accounting Standards — Basic Standards" promulgated by the Ministry of Finance. As at 31st December, 2021, the Group had no reserve available for distribution to shareholders (2020: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2021, sales to the largest customer and the five largest customers of the Group accounted for approximately 2% and 5% (2020: 7% and 18%) of the total turnover of the Group, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 43.5% and 54.3% (2020: 15% and 29%) of the total purchase of the Group, respectively. Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS", at no time during the year did a Director, a supervisor, their associates or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Shares of the Company) have an interest in any of the five largest customers or suppliers of the Group.

DIRECTORS AND SUPERVISORS

The Directors and supervisors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Li He (*chairman of the Board, hereinafter referred to as the "Chairman"*)
(*appointed as on 21 February, 2022*)
Mr. Huang Dong
Mr. Tan Xinmin
Mr. Chen Lin (*resigned as on 21 February, 2022*)

Independent non-executive Directors:

Mr. Yin Feihu
Mr. Li Lianjun (*appointed as on 21 February, 2022*)
Ms. Gu Li
Mr. Hung Ee Tek
Mr. Qin Ming (*resigned as on 21 February, 2022*)

Supervisors:

Mr. Chen Cailai

Ms. Chen Jun

Mr. Xie Xinghui

Pursuant to the articles of association of the Company, all Directors and Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of term.

DIRECTORS' AND SUPERVISORS' BIOGRAPHIES

Biographical details of the Directors and Supervisors are set out on pages 29 to 32.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company for a fixed term of three years or until the expiry of the current session of the board of Directors subject to renewal upon approval by the Shareholders for one or more consecutive terms of three years.

In accordance with the provisions of the articles of association of the Company, the term of office of the Directors shall be three years commencing from the date of appointment or re-election and renewable upon re-appointment or re-election. In accordance with the provisions of the PRC Company Law, the term of office of the Supervisors shall also be three years and renewable upon re-appointment or re-election. Save as disclosed herein, none of the Directors' and Supervisors' terms of office expires and all of the Directors and Supervisors continue in office.

Save as disclosed above, none of the Directors and Supervisors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that the Company received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and the Company considered the independent non-executive Directors to be independent.

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

As at 31st December, 2021, the Directors, Supervisors and the chief executive of the Company who had interests in the Shares, underlying shares and debentures of the Company and 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"):

- (a) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); or
- (b) which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or
- (c) which will be required to be notified to the Company and the Stock Exchange pursuant to Appendix 10 of the Hong Kong Listing Rules, are as follows:

| 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) |
|---|------------------|--|--|---|
| Chen Lin (<i>resigned as on 21 February 2022</i>) | Beneficial owner | 564,000 (L) | 0.28% | 0.11% |

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).

Save as disclosed above, as at 31st December, 2021, none of the Directors, Supervisors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he will be taken or deemed to have under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to Appendix 10 of the Hong Kong Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed “CONNECTED AND RELATED PARTY TRANSACTIONS”, no transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director and Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

(A) Domestic Shareholders

As at 31st December, 2021, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than Directors, Supervisors or chief executive) had notified the Company of relevant interests and short positions in the Shares or underlying Shares of the Company:

| Name | Capacity | Number of the domestic Shares of the Company held (Note 1) | Approximate percentage of the total issued domestic Shares of the Company | Approximate percentage of the total issued share capital of the Company (Note 2) |
|--|------------------|---|---|---|
| Tianye Company | Beneficial owner | 202,164,995 (L) | 63.75% | 38.91% |
| Xinjiang Tianye (Group) Limited ("Tianye Holdings") (Note 4) | Beneficial owner | 111,721,926 (L) | 35.23% | 21.51% |

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. Tianye Holdings, which is interested in approximately 45.14% of the registered capital of Tianye Company.

(B) H Shareholders

| Name of shareholder | 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") (Notes 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 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 of 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 31st December, 2021, the Directors, Supervisors and chief executive of the Company were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

CONNECTED AND RELATED PARTY TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rule, the Board engaged the auditor of the Company to perform certain agreed procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the Board. The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor, and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The auditors have confirmed that nothing has come to their attention that caused them to believe that the continuing connected transactions: (1) have not been approved by the Board; (2) were not, in all material respects, in accordance with the pricing policies of the Group; (3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (4) have exceeded the annual caps.

Details of the related party transactions undertaken by the Group during the year are included in part IX – “Related Parties and Related Party Transactions” in the notes to financial statements. Save as disclosed under that part, the Group also entered into the following connected transactions/continuing connected transactions:

- a renewed master purchase agreement (“**Master Purchase Agreement**”) with Tianye Holdings (a substantial Shareholder) dated 26th November, 2020, pursuant to which the Group agreed to purchase PVC resins, from Tianye Holdings and/or its subsidiaries (including Tianye Company and/or its subsidiaries and/or its controlled corporations) from time to time for a term from 1st January, 2021 to 31st December, 2023, and the price for those PVC resins will be agreed from time to time between the parties concerned by reference to the prevailing market price at the relevant time;
- a renewed master sale agreement (“**Master Sale Agreement**”) with Tianye Holdings (a substantial Shareholder) dated 26th November, 2020, pursuant to which Tianye Holdings and/or its subsidiaries (including Tianye Company and/or its subsidiaries and/or its controlled corporations) agreed to purchase products manufactured by the Group, including drip tape, PVC/PE pipelines and drip assemblies, from time to time for a term from 1 January, 2021 to 31st December, 2023, and the price for those products manufactured by the Group will be agreed from time to time between the parties concerned by reference to the prevailing market price at the relevant time;

- leases dated 26th May, 2020 in respect of the factory premises located at No. 94–22 Bei Yi Road, Shihezi Economic and Technological Development Zone, Xinjiang (新疆石河子經濟技術開發區北一路94–22號) with Tianye Company (a substantial Shareholder) (“**CCT Lease 1**”), for a term from 1st July, 2020 to 30th June, 2023 at the annual rent of RMB1,327,000 (including property management fee).
- leases dated 26th May, 2020 in respect of the factory premises located at No. 94–22 Bei Yi Road, Shihezi Economic and Technological Development Zone, Xinjiang (新疆石河子經濟技術開發區北一路94–22號) with Tianye Holdings, for a term from 1st July, 2020 to 30th June, 2023 at the annual rent of RMB426,000 (including property management fee).

The above-mentioned Master Purchase Agreement, Master Sale Agreement, and the annual caps for the three years ending 31st December, 2023 were approved by an ordinary resolution of the extraordinary general meeting of the Company held on 18th February, 2021. The details of these transactions were disclosed in the announcement of the Company dated 26th November, 2020, and the circular of the Company dated 14th January, 2021.

On 26th May, 2017, the Company and Tianye Company (a substantial Shareholder) entered into a renewal agreement to renew the Old CCT Lease 1. Details of the renewal agreement were disclosed in the Company’s announcement dated 26th May, 2017. The renewed term was from 1st July, 2017 to 30th June, 2020 at the rent of RMB1,455,820 per annum (including property management fee), and the annual rent of the plant is RMB600,000 (including property management fee).

In respect of each of the related party transactions as listed in section headed — “Related Parties and Related Party Transactions” part X in the notes to financial statements, which are also connected transactions, and the transaction contemplated under each of the above connected transactions agreements, the Company has complied with the relevant requirements under Chapter 14A of the Listing Rules.

Note: The term “controlled corporations” of Tianye Company mentioned above under the paragraph headed “CONNECTED AND RELATED PARTY TRANSACTIONS” of this report refers to those corporations owned by Tianye Company as to 30% or more but less than 50% of their equity interests.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN A COMPETING BUSINESS

For the year ended 31st December, 2021, 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.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and Supervisors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors and Supervisors and remuneration of the five highest paid Individual of the Company for the year are set out in note 5 and note 6 of section II of part X to the consolidated financial statements in this annual report.

For each of 2020 and 2021, senior management of the Company comprises 5 individuals. The emolument of each of the senior management fell within RMB1,000,000.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 17 to 28 of this annual report.

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.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Group or existed during the year under review.

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, 2021.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

PERMITTED INDEMNITY PROVISION

During the year ended 31st December, 2021, subject to applicable laws, the Company has taken out and maintained appropriate directors, supervisors and senior management liability insurance coverage against the liabilities that may be incurred by the Directors, Supervisors and senior management of the Company upon executing and performing their duties.

CHARGE OF ASSETS

As at 31st December, 2021, the Group did not have any assets pledged or restricted by guarantee.

CHARITABLE DONATIONS

During the year ended 31st December, 2021, the Group did not make any charitable donations and other donations (2020: nil).

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31st December, 2021, to the knowledge of the Company, the Group had complied with the relevant laws and regulations that have a material impact on the business of the Group in all material aspects and there were no circumstances of material breach or non-compliance of applicable laws and regulations.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2021.

EVENT AFTER THE REPORTING PERIOD

The Group had no significant event occurring after the reporting period and up to the date of this annual report.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual result for the year ended 31st December, 2021, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the audited financial statements for the year ended 31st December, 2021 with the management.

AUDITOR

Pan China Certified Public Accountants LLP (“**Pan China**”) will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted in the forthcoming annual general meeting to re-appoint Pan China as the auditor of the Group.

By Order of the Board

Mr. Li He

Chairman

Xinjiang, the PRC
30th March, 2022

Report of the Supervisory Committee

To: All Shareholders

During the year ended 31st December, 2021 (“**Year 2021**”), the Supervisory Committee (the “**Supervisory Committee**” or the “**Supervisors**”) of the Company, in compliance with the provisions of the Company Law of the People’s Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company (the “**Articles of Association**”), has conducted its work adhering to the fiduciary principle, and has taken up an active role to work faithfully and diligently to safeguard the interests of the shareholders and the benefits of the staff of the Company.

I. Meetings of the Supervisory Committee

In 2021, the Supervisory Committee met four times in total, details of which are as follows:

1. On 29th March, 2021, the Company held the ninth meeting of the sixth session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Company’s 2020 Supervisory Committee Report”, “the Audited Financial Statements of the Company and Its Subsidiaries and Auditor’s Report for the Year Ended 31st December, 2020”, and “the Annual Report of the Company for the Year Ended 31st December, 2020”.
2. On 21st April, 2021, the Company held the tenth meeting of the sixth session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Unaudited First Quarterly Results of the Company and Its Subsidiaries for the Three Months ended 31st March, 2021”, and “the First Quarterly Results Report of the Company and Its Subsidiaries for the Three Months Ended 31st March, 2021”.
3. On 16th August, 2021, the Company held the 11th meeting of the sixth session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Unaudited Interim Results of the Company and Its Subsidiaries for the Six Months Ended 30th June, 2021”, and “the Interim Results Report of the Company and Its Subsidiaries for the Six Months Ended 30th June, 2021”.
4. On 29th October, 2021, the Company held the twelfth meeting of the sixth session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Unaudited Third Quarter Results of the Company and Its Subsidiaries for the Nine Months Ended 30th September, 2021”, and “the Third Quarterly Results Report of the Company and Its Subsidiaries for the Nine Months Ended 30th September, 2021”.

II. Supervision of the Company's Work in 2021

In Year 2021, the Supervisors reviewed the operations of the Company and major issues, attended the meetings of the Directors of the Company, provided reasonable recommendation and advice to the Board and effectively monitored the members of the Board and senior management of the Company in performing their duties.

The Supervisory Committee is of the view that:

1. the Company's operation in the Year 2021 complied with the relevant laws and regulations of the state and local governments of the PRC and the provisions of the Articles of Association;
2. the Directors and managers of the Company performed their duties in strict compliance of the relevant rules and regulations for the development of the Company. They carried out their work diligently without violating any laws and regulations or the Articles of Association, and had not conducted any activities which were against the interests of the Company, and acted faithfully in exercising their authorities;
3. the connected transactions of the Company, which have fully complied with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, were fair and reasonable. We have not discovered any act that prejudiced the interests of the Company;
4. the Supervisory Committee's role in monitoring the management of the Company was strengthened by attending Board meetings, participating in the decision-making process of the management and reviewing regularly the financial statements and accounts of the Company. The Supervisory Committee believes that the financial management of the Company was performed in strict compliance with the relevant accounting principles, that the financial statements and accounts were prepared timely and properly, and that no improper disclosures were identified; and
5. the Supervisory Committee has verified the financial information of the Group such as the financial statements and reports of results to be submitted to the forthcoming general meeting of Shareholders by the Board, and is satisfied with the Report of the Directors and the audited financial statements of the Group. The Supervisory Committee believes that the audited financial statements for Year 2021 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

The Supervisory Committee is of the opinion that: it is an inevitable national requirement for vigorous development of the agricultural water-saving industry, as a result of which the high-standard farmland construction market enjoys a promising landscape. We remain fully confident in the future prospects of the Company.

By order of the Supervisory Committee

Chen Jun

Chairman of the Supervisory Committee

Xinjiang, the PRC
30th March, 2022

Auditor's Report



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To the shareholders of Xinjiang Tianye Water Saving Irrigation System Company Limited:

1. AUDIT OPINION

We have audited the financial statements of Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as “Tianye Water Saving Company”), which comprise the consolidated and the Parent Company’s balance sheets as at 31st December, 2021, the consolidated and the Parent Company’s income statement, the consolidated and the Parent Company’s statement of cash flows, the consolidated and the Parent Company’s statement of changes in owners’ equity for the year 2021, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises (ASBE) in all material aspects and give a true and fair view of the consolidated and the Parent Company’s financial position of Tianye Water Saving Company as at 31st December 2021 and of its consolidated and the Parent Company’s operating results and cash flows for 2021.

II. BASIS OF OPINIONS

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the section headed “The Responsibilities of Certified Public Accountants for the Audit of the Financial Statements” as contained in the Auditors’ Report. We are independent of Tianye Water Saving Company in accordance with the Ethical Codes of Chinese Certified Public Accountants, and we have fulfilled our other responsibilities under the Ethical Codes. We believe that the audit evidence obtained from the audit process is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Description

For details of relevant information disclosure, please refer to Notes III (XXII) and V (II) 1 of the financial statement.

Operating income of Tianye Water Saving Company was mainly derived from the trade and sales of chemical materials and the sales of goods, such as drip tapes and drip assemblies, PVC materials for water supply pipes, PE piping materials and accessories, as well as the provision of installation services. The operating income of Tianye Water Saving Company for the year 2021 was RMB1,111,618,000, of which the income from the trade and sales of chemical materials was RMB500,369,200, accounting for 45.01% of the operating income, and the income from the sales of goods, such as drip tapes and drip assemblies, PVC materials for water supply pipes, PE piping materials and accessories was RMB336,607,100, accounting for 30.28% of the operating income.

As the operating income is one of the key performance indicators, there may be an inherent risk of applying inappropriate revenue recognition by the management of Tianye Water Saving Company (hereinafter referred to as "management") to achieve specific targets or expectations. Therefore, we identified revenue recognition as the key audit matter.

2. Application for auditing

Our audit procedures for revenue recognition mainly include:

- (1) Obtained an understanding of the key internal controls with regard to the revenue, assessed the design of these controls and confirmed whether they were implemented and tested the operational effectiveness of relevant internal controls;
- (2) Checked the sales contract, understood the main contract terms or conditions and evaluated whether the revenue recognition approach is appropriate;
- (3) Implemented analysis procedures for operating income and gross profit margin by month and product, etc., to identify whether there are major or abnormal fluctuations, and ascertain the cause of fluctuations;
- (4) Checked on a sample basis the sales contracts, sales invoices, transportation orders, customer receipts and other documents with regard to the revenue from sales of goods;
- (5) Confirmed on a sample basis the current sales with major customers combined with confirmation of accounts receivable;
- (6) Implemented cut-off test procedure for operating income recognised around the balance sheet date to evaluate whether the operating income had been recognised during the appropriate period;
- (7) Checked whether the information related to operating income has been properly presented in the financial statements.

(II) Provision for impairment of inventories

1. Description

For details of relevant information disclosure, please refer to Notes III (X) and V (I) 6 of the financial statements.

As of 31st December, 2021, the book balance of inventories of Tianye Water Saving Company was RMB401,878,600, and provision made for impairment of inventories was RMB39,223,600, and carrying amount was RMB362,655,000. Since the amount of inventories is significant and the provision for impairment of inventories depends on the estimation of the net realizable value of inventories, the provision for impairment of inventories is recognised as a key audit matter.

2. Application for auditing

Our main audit procedures for provision for impairment of inventories include:

- (1) Obtained an understanding of the key internal control system with regard to inventories, assessed the design of these controls, determined if they are implemented, and tested the operational effectiveness of the relevant internal controls;
- (2) Reviewed management's forecast of net realizable value of inventories and actual operating results in previous years, and assessed the accuracy of management's past forecasts;
- (3) Acquired the provision statement for impairment of inventories prepared by the management, and reviewed the management's prediction of the estimated selling price of inventories on a sample basis;
- (4) Evaluated the rationality of management's estimation of the costs, selling expenses and related taxes that would occur when the inventory is completed;
- (5) Tested the accuracy of management's calculation of the net realizable value of inventories;
- (6) Checked whether there was long-term inventories, obsolete inventories and changes in technology or market demand in the inventories at the end of the period based on the inventory supervision, and assessed whether the management has reasonably estimated the net realizable value of the inventories;
- (7) For the provision for impairment of inventories which was written off due to the sale of inventories during the current period, checked the accuracy of writing-off of the provision for impairment of inventories;
- (8) Checked whether the information related to the provision for impairment of inventories has been properly presented in the financial statements.

IV. OTHER INFORMATION

The management is responsible for the other information which comprises all the information in the annual report other than the financial statements and this auditors' report. The annual report is expected to be provided to us after the date of this auditors' report.

Our audit opinion on the financial statements does not cover the other information nor do we express any form of assurance over the conclusion thereon.

Combining with our audit to the financial statements, we are responsible for reading the other information available to us, over the course of which, we considered if there is significant inconsistency or there is likely material misstatement between the other information and the financial statements or the information we obtained during the audit.

V. RESPONSIBILITIES OF THE MANAGEMENT AND GOVERNING BODIES FOR THE FINANCIAL STATEMENTS

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the ASBE, as well as designing, implementing and maintaining such necessary internal control that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Tianye Water Saving Company's ability to continue as a going concern, disclosing the matters related to the going concern basis (if applicable) and using the going concern basis of accounting unless the management either intends to liquidate Tianye Water Saving Company or to cease operations, or have no realistic alternative but to do so.

The governing bodies of Tianye Water Saving Company (hereinafter referred to the "governing bodies") are responsible for overseeing the financial reporting process of Tianye Water Saving Company.

VI. RESPONSIBILITIES OF CERTIFIED PUBLIC ACCOUNTANTS FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also performed the following work:

- (I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing efficient opinion on the effectiveness of the internal control.
- (III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (IV) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Tianye Water Saving Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Tianye Water Saving Company to cease to continue as a going concern.
- (V) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Tianye Water Saving Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that they identify during the audit.

We also provided the governing bodies with a statement that we had complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence as well as relevant prevention measures (if applicable).

From the matters we had discussed with the governing bodies, we confirmed which matters were the most important to the audit of the financial statements for the current period and thus constituted the key audit matters. We set out these matters in the auditors' report. Unless the disclosure of these matters are forbidden by the laws and regulations, or, in rare cases, if it is reasonably expected that the negative impacts caused by discussing certain matters in the auditors' report would be larger than the benefits for public interest, we shall not disclose the matters in the auditors' report under such circumstances.

Pan-China Certified Public Accountants LLP

Certified Public Accountant:
(Project Partner)



Certified Public Accountant:



Hangzhou, the People's Republic of China

30th March, 2022

Consolidated Balance Sheet (Assets)

31st December, 2021

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

| Assets | Note | Closing balance | Closing balance of previous year |
|---|------|-----------------------|----------------------------------|
| Current assets: | | | |
| Cash | 1 | 148,327,828.94 | 116,336,169.81 |
| Security deposits for settlement | | | |
| Interbank lending to banks and other financial institutions | | | |
| Financial assets held for trading | | | |
| Derivative financial assets | | | |
| Bill receivables | | | |
| Trade receivables | 2 | 150,168,618.13 | 173,102,709.76 |
| Account receivable financing | 3 | 4,921,714.35 | 4,800,000.00 |
| Prepayments | 4 | 26,382,833.79 | 19,959,829.99 |
| Premium receivables | | | |
| Amounts due from reinsurers | | | |
| Reinsurance contract reserve receivables | | | |
| Other receivables | 5 | 24,637,951.34 | 28,552,746.06 |
| Financial assets purchased to resell | | | |
| Inventories | 6 | 362,654,966.08 | 391,769,140.01 |
| Contract assets | | | |
| Assets held-for-trading | | | |
| Non-current assets due within one year | | | |
| Other current assets | 7 | 4,321,880.22 | 6,919,181.64 |
| Total current assets | | 721,415,792.85 | 741,439,777.27 |

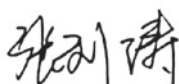
Consolidated Balance Sheet (Assets)
31st December, 2021

| Assets | Note | Closing balance | Closing balance of previous year |
|--|------|-----------------------|----------------------------------|
| Non-current assets: | | | |
| Loans and advances | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | 8 | 1,954,210.08 | 2,599,070.91 |
| Investment in other equity instruments | | | |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | 9 | 122,149,251.06 | 145,539,740.02 |
| Construction in progress | 10 | 5,614,607.42 | 2,523,829.96 |
| Biological assets for production | 11 | 29,102,244.37 | 20,613,190.14 |
| Oil and gas assets | | | |
| Right-of-use assets | 12 | 47,397,086.43 | |
| Intangible assets | 13 | 18,980,843.07 | 15,387,658.80 |
| Development expenses | 14 | 8,472,125.26 | 8,144,298.63 |
| Goodwill | | | |
| Long-term deferred expenses | 15 | 7,131,253.86 | 6,875,682.32 |
| Deferred income tax assets | 16 | 2,606,427.29 | 3,486,341.75 |
| Other non-current assets | 17 | 152,600.00 | 118,775.00 |
| Total non-current assets | | 243,560,648.84 | 205,288,587.53 |
| Total assets | | 964,976,441.69 | 946,728,364.80 |

Legal representative:



Responsible person for
accounting:



Responsible person for
accountant:



Consolidated Balance Sheet (Liabilities and Owners' Equity)

31st December, 2021

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

| Liabilities and owners' equity (or shareholders' equity) | Note | Closing balance | Closing balance of previous year |
|--|------|-----------------------|-------------------------------------|
| Current liabilities: | | | |
| Short-term borrowings | 18 | 43,418,100.54 | 53,058,569.44 |
| Loans from central bank | | | |
| Interbank borrowing funds | | | |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Bill payables | | | |
| Trade payables | 19 | 232,012,313.59 | 224,299,378.73 |
| Receipts in advance | | | |
| Contract liabilities | 20 | 48,141,781.90 | 37,016,460.33 |
| Sale and buy-back financial assets | | | |
| Deposit taking from customers and placement from banks and other financial institutions | | | |
| Customer brokerage deposits | | | |
| Securities underwriting brokerage deposits | | | |
| Employee remuneration payables | 21 | 7,790,197.03 | 8,376,366.66 |
| Tax and levy payables | 22 | 2,831,408.43 | 2,152,718.27 |
| Other payables | 23 | 34,918,398.67 | 26,203,466.74 |
| Fees and commission payables | | | |
| Amounts due to reinsurers | | | |
| Liabilities held-for-trading | | | |
| Non-current liabilities due within one year | 24 | 5,846,769.64 | |
| Other current liabilities | 25 | 3,919,171.61 | 3,096,841.42 |
| Total current liabilities | | 378,878,141.41 | 354,203,801.59 |

Consolidated Balance Sheet (Liabilities and Owners' Equity)
31st December, 2021

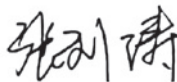
| Liabilities and owners' equity (or shareholders' equity) | Note | Closing balance | Closing balance of previous year |
|---|------|-----------------------|-------------------------------------|
| Non-current liabilities: | | | |
| Provision for insurance contracts | | | |
| Long-term borrowings | | | |
| Bond payables | | | |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | 26 | 43,615,956.46 | |
| Long-term payables | | | |
| Long-term employee remuneration payables | | | |
| Provisions | | | |
| Deferred income | 27 | 13,390,484.86 | 10,802,414.38 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 57,006,441.32 | 10,802,414.38 |
| Total liabilities | | 435,884,582.73 | 365,006,215.97 |

| Liabilities and owners' equity (or shareholders' equity) | Note | Closing balance | Closing balance of previous year |
|---|------|-----------------------|-------------------------------------|
| Owners' equity (or shareholders' equity): | | | |
| Paid-in capital (or share capital) | 28 | 519,521,560.00 | 519,521,560.00 |
| Other equity instruments | | | |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Capital reserve | 29 | 26,198,138.96 | 25,737,140.18 |
| Less: treasury shares | | | |
| Other comprehensive income | | | |
| Special reserve | | | |
| Surplus reserve | 30 | 34,724,097.27 | 34,724,097.27 |
| General risk provisions | | | |
| Undistributed profit | 31 | -76,515,393.17 | -9,679,091.17 |
| <hr/> | | | |
| Total owners' equity attributable to | | | |
| Parent Company | | 503,928,403.06 | 570,303,706.28 |
| Minority interest | | 25,163,455.90 | 11,418,442.55 |
| <hr/> | | | |
| Total owners' equity | | 529,091,858.96 | 581,722,148.83 |
| <hr/> | | | |
| Total liabilities and owners' equity | | 964,976,441.69 | 946,728,364.80 |

Legal representative:



Responsible person for
accounting:



Responsible person for
accountant:



Balance Sheet of the Parent Company (Assets)

31st December, 2021

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

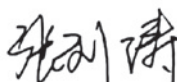
Expressed in RMB

| Assets | Note | Closing balance | Closing balance of previous year |
|--|------|-----------------------|----------------------------------|
| Current assets: | | | |
| Cash | | 90,397,884.77 | 81,344,147.49 |
| Financial assets held for trading | | | |
| Derivative financial assets | | | |
| Bill receivables | | | |
| Trade receivables | 1 | 47,226,427.51 | 93,753,776.63 |
| Account receivable financing | | 1,000,000.00 | 1,270,000.00 |
| Prepayments | | 4,810,831.33 | 9,957,990.02 |
| Other receivables | 2 | 128,013,350.98 | 140,919,475.43 |
| Inventories | | 134,315,077.20 | 162,887,803.02 |
| Contract assets | | | |
| Assets held-for-trading | | | |
| Non-current assets due within one year | | | |
| Other current assets | | 353,233.37 | 1,169,257.87 |
| Total current assets | | 406,116,805.16 | 491,302,450.46 |
| Non-current assets: | | | |
| Debt investments | | | |
| Other debt investments | | | |
| Long-term receivables | | | |
| Long-term equity investments | 3 | 181,776,695.35 | 181,853,670.48 |
| Investment in other equity instruments | | | |
| Other non-current financial assets | | | |
| Investment properties | | | |
| Fixed assets | | 58,229,506.61 | 74,488,958.29 |
| Construction in progress | | 5,614,607.42 | 1,914,627.88 |
| Biological assets for production | | 29,102,244.37 | 20,660,001.24 |
| Oil and gas assets | | | |
| Right-of-use assets | | 41,492,740.46 | |
| Intangible assets | | 10,118,621.57 | 5,720,218.34 |
| Development expenses | | 8,472,125.26 | 8,144,298.63 |
| Goodwill | | | |
| Long-term deferred expenses | | 3,202,710.37 | 3,268,851.74 |
| Deferred income tax assets | | | 118,775.00 |
| Other non-current assets | | | |
| Total non-current assets | | 338,009,251.41 | 296,169,401.60 |
| Total assets | | 744,126,056.57 | 787,471,852.06 |

Legal representative:

Responsible person for
accounting:

Responsible person for
accountant:


Balance Sheet of the Parent Company (Liabilities and Owners' Equity)

31st December, 2021

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited
 AC01
 Expressed in RMB

| Liabilities and owners' equity | Note | Closing balance | Closing balance of previous year |
|---|------|-----------------------|----------------------------------|
| Current liabilities: | | | |
| Short-term borrowings | | 30,035,291.67 | 50,054,861.11 |
| Held-for-trading financial liabilities | | | |
| Derivative financial liabilities | | | |
| Bill payables | | | |
| Trade payables | | 81,664,485.72 | 82,423,432.51 |
| Receipts in advance | | | |
| Contract liabilities | | 3,807,345.06 | 3,885,579.94 |
| Employee remuneration payables | | 5,011,083.42 | 5,196,211.85 |
| Tax and levy payables | | 1,241,886.99 | 122,652.56 |
| Other payables | | 62,126,926.62 | 75,374,688.55 |
| Liabilities held-for-trading | | | |
| Non-current liabilities due within one year | | 2,020,949.79 | |
| Other current liabilities | | 494,954.84 | 621,905.08 |
| Total current liabilities | | 186,402,924.11 | 217,679,331.60 |
| Non-current liabilities: | | | |
| Long-term borrowings | | | |
| Bond payables | | | |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Lease liabilities | | 40,924,292.11 | |
| Long-term payables | | | |
| Long-term employee remuneration payables | | | |
| Provisions | | | |
| Deferred income | | 12,677,727.14 | 10,215,664.52 |
| Deferred income tax liabilities | | | |
| Other non-current liabilities | | | |
| Total non-current liabilities | | 53,602,019.25 | 10,215,664.52 |
| Total liabilities | | 240,004,943.36 | 227,894,996.12 |

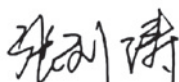
Balance Sheet of the Parent Company (Liabilities and Owners' Equity)
31st December, 2021

| Liabilities and owners' equity | Note | Closing balance | Closing balance of previous year |
|--|------|-----------------------|----------------------------------|
| Owners' equity (or shareholders' equity): | | | |
| Paid-in capital (or share capital) | | 519,521,560.00 | 519,521,560.00 |
| Other equity instruments | | | |
| Including: Preference shares | | | |
| Perpetual bonds | | | |
| Capital reserve | | 25,124,676.47 | 25,124,676.47 |
| Less: treasury shares | | | |
| Other comprehensive income | | | |
| Special reserve | | | |
| Surplus reserve | | 34,724,097.27 | 34,724,097.27 |
| Unallocated profit | | -75,249,220.53 | -19,793,477.80 |
| Total owners' equity | | 504,121,113.21 | 559,576,855.94 |
| Total liabilities and owners' equity | | 744,126,056.57 | 787,471,852.06 |

Legal representative:



Responsible person for
accounting:



Responsible person for
accountant:



Consolidated Income Statement

2021

AC02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

| Item | Notes | Current period | Corresponding period last year (Restate) |
|---|-------|-------------------------|--|
| I. Total operating income | | 1,111,618,028.66 | 706,558,107.66 |
| Including: Operating income | 1 | 1,111,618,028.66 | 706,558,107.66 |
| Interest income | | | |
| Premium earned | | | |
| Fees and commission income | | | |
| II. Total operating costs | | 1,131,998,500.66 | 705,914,289.84 |
| Including: Operating costs | 1 | 1,042,365,231.80 | 618,799,826.98 |
| Interest expenses | | | |
| Fees and commission expenses | | | |
| Refund of insurance premiums | | | |
| Net payments for insurance claims | | | |
| Net provision for insurance contracts | | | |
| Bond insurance expenses | | | |
| Reinsurance costs | | | |
| Business taxes and surcharges | 2 | 4,300,107.97 | 4,625,686.00 |
| Distribution costs | 3 | 26,716,577.81 | 28,276,345.95 |
| Administrative expenses | 4 | 47,455,130.76 | 42,604,834.15 |
| Research and development expenses | 5 | 7,707,953.62 | 9,836,633.72 |
| Finance costs | 6 | 3,453,498.70 | 1,770,963.04 |
| Including: Interest expenses | | 3,874,065.10 | 2,605,397.98 |
| Interest income | | 578,562.66 | 992,198.55 |
| Add: Other income | 7 | 4,934,342.10 | 6,145,191.69 |
| Investment income (loss is denoted as “-”) | 8 | -644,860.83 | 705,906.43 |
| Including: Investment income from associates and joint venture | | -644,860.83 | 13,484.77 |
| Derecognition of gains from financial assets measured at amortization costs | | | |
| Exchange gain (loss is denoted as “-”) | | | |
| Net exposure to hedging gains (loss is denoted as “-”) | | | |
| Gain on changes in fair value (loss is denoted as “-”) | | | |
| Impairment loss on credit (loss is denoted as “-”) | 9 | -14,361,537.20 | -4,255,589.12 |
| Impairment loss on assets (loss is denoted as “-”) | 10 | -33,458,115.46 | -4,447,765.75 |
| Gain on disposal of assets (loss is denoted as “-”) | 11 | 399,742.65 | 1,142,158.10 |

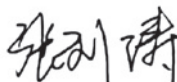
| Item | Notes | Current period | Corresponding period last year (Restate) |
|---|-------|-----------------------|---|
| III. Operating profits (loss is denoted as “-”) | | -63,510,900.74 | -66,280.83 |
| Add: Non-operating income | 12 | 1,012,447.55 | 1,658,923.36 |
| Less: Non-operating expenses | 13 | 346,361.09 | 429,847.54 |
| IV. Total profits (total losses are denoted as “-”) | | -62,844,814.28 | 1,162,794.99 |
| Less: Income tax expenses | 14 | 1,971,109.03 | -894,103.67 |
| V. Net profits (net loss is denoted as “-”) | | -64,815,923.31 | 2,056,898.66 |
| (I) Classified by operation continuity: | | | |
| 1. Net profits from continuing operation (net loss is denoted as “-”) | | -64,815,923.31 | 2,056,898.66 |
| 2. Net profits from discontinued operation (net loss is denoted as “-”) | | | |
| (II) Classification by ownership: | | | |
| 1. Net profits attributable to owners of the Parent Company (net loss is denoted as “-”) | | -66,836,302.00 | 649,958.94 |
| 2. Gain or loss of minority interests (net loss is denoted as “-”) | | 2,020,378.69 | 1,406,939.72 |
| VI. Net other comprehensive income after tax | | | |
| Net other comprehensive income after tax attributable to owners of the Parent Company | | | |
| (I) Other comprehensive income that will not be reclassified to profit or loss | | | |
| 1. Re-measurement of changes under defined benefit schemes | | | |
| 2. Other comprehensive income from non- transferable gains and losses under equity method | | | |
| 3. Changes in fair value of investments in other equity instruments | | | |
| 4. Changes in the fair value of the enterprise’s own credit risk | | | |
| 5. Others | | | |

| Item | Notes | Current period | Corresponding period last year (Restate) |
|---|-------|-----------------------|---|
| (II) Other comprehensive income that will be reclassified to profit or loss | | | |
| 1. Other comprehensive income from transferable gains and losses under equity method | | | |
| 2. Changes in fair value of other debt investments | | | |
| 3. Financial assets reclassified to other comprehensive income | | | |
| 4. Provision for credit impairment of other debt investments | | | |
| 5. Cash flow hedging reserve | | | |
| 6. Exchange differences arising from translation of foreign currency denominated financial statements | | | |
| 7. Others | | | |
| Net other comprehensive income after tax attributable to minority interests | | | |
| VII. Total comprehensive income | | -64,815,923.31 | 2,056,898.66 |
| Total comprehensive income attributable to owners of the parent company | | -66,836,302.00 | 649,958.94 |
| Total comprehensive income attributable to minority interests | | 2,020,378.69 | 1,406,939.72 |
| VIII. Earnings per share: | | | |
| (1) Basic earnings per share | | -0.13 | 0.0013 |
| (2) Diluted earnings per share | | -0.13 | 0.0013 |

Legal representative:



Responsible person for
accounting:



Responsible person for
accountant:



Income Statement of the Parent Company

2021

AC02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

| Item | Notes | Current period | Corresponding period last year (Restate) |
|---|-------|-----------------------|---|
| I. Operating income | 1 | 202,191,941.22 | 292,718,842.05 |
| Less: operating costs | 1 | 186,605,230.90 | 250,320,706.58 |
| Business taxes and surcharges | | 1,429,838.52 | 2,408,129.66 |
| Distribution costs | | 10,331,389.70 | 15,258,760.05 |
| Administrative expenses | | 24,929,381.85 | 21,630,527.78 |
| Research and development expenses | 2 | 4,134,563.17 | 9,507,096.77 |
| Finance costs | | 2,440,092.01 | 1,330,316.41 |
| Including: Interest expenses | | 3,118,633.98 | 1,252,687.80 |
| Interest income | | 724,962.96 | 2,533,733.57 |
| Add: Other income | | 3,980,572.15 | 4,168,673.20 |
| Investment income (loss is denoted as “-”) | 3 | -2,461,990.16 | 855,091.02 |
| Including: Investment income from | | | |
| associates and joint venture | | -644,860.83 | 13,484.77 |
| Derecognition of gains from | | | |
| financial assets measured at | | | |
| amortization costs | | | |
| Net exposure to hedging gains | | | |
| (loss is denoted as “-”) | | | |
| Gain on changes in fair value | | | |
| (loss is denoted as “-”) | | | |
| Impairment loss on credit | | | |
| (loss is denoted as “-”) | | -5,024,696.26 | -3,033,772.38 |
| Impairment loss on assets | | | |
| (loss is denoted as “-”) | | -24,386,237.11 | -3,641,292.30 |
| Gain on disposal of assets | | | |
| (loss is denoted as “-”) | | 71,600.13 | -666,994.23 |
| II. Operating profits (loss is denoted as “-”) | | -55,499,306.18 | -10,054,989.89 |
| Add: Non-operating income | | 181,434.70 | 1,164,401.61 |
| Less: Non-operating expenses | | 137,871.25 | 94,330.68 |
| III. Total profits (total losses are denoted as “-”) | | -55,455,742.73 | -8,984,918.96 |
| Less: Income tax expenses | | | |

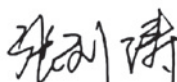
| Item | Notes | Current period | Corresponding period last year (Restate) |
|---|-------|-----------------------|--|
| IV. Net profits (net loss is denoted as “-”) | | -55,455,742.73 | -8,984,918.96 |
| (I) Net profits from continuing operation (net loss is denoted as “-”) | | -55,455,742.73 | -8,984,918.96 |
| (II) Net profits from discontinued operation (net loss is denoted as “-”) | | | |
| V. Net other comprehensive income after tax | | | |
| (I) Other comprehensive income that will not be reclassified to profit or loss | | | |
| 1. Re-measurement of changes under defined benefit schemes | | | |
| 2. Other comprehensive income from non-transferable gains and losses under equity method | | | |
| 3. Changes in fair value of investments in other equity instruments | | | |
| 4. Changes in the fair value of the enterprise’s own credit risk | | | |
| 5. Others | | | |
| (II) Other comprehensive income that will be reclassified to profit or loss | | | |
| 1. Other comprehensive income from transferable gains and losses under equity method | | | |
| 2. Changes in fair value of other debt investments | | | |
| 3. Financial assets reclassified to other comprehensive income | | | |
| 4. Provision for credit impairment of other debt investments | | | |
| 5. Cash flow hedging reserve | | | |
| 6. Exchange differences arising from translation of foreign currency denominated financial statements | | | |
| 7. Others | | | |

| Item | Notes | Current period | Corresponding period last year (Restate) |
|---------------------------------------|-------|-----------------------|--|
| VI. Total comprehensive income | | -55,455,742.73 | -8,984,918.96 |
| VII. Earnings per share: | | | |
| (1) Basic earnings per share | | | |
| (2) Diluted earnings per share | | | |

Legal representative:



Responsible person for
accounting:



Responsible person for
accountant:



Consolidated Cash Flows Statement

2021

AC03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

| Item | Notes | Current period | Corresponding period last year |
|---|-------|------------------|--------------------------------|
| I. Cash flow generated from operating activities: | | | |
| Cash received from sale of goods and rendering of services | | 1,264,410,151.55 | 804,464,694.76 |
| Net increase in deposit taking from customers and placement from banks and other financial institutions | | | |
| Net increase in loans from central bank | | | |
| Net increase in funds borrowed from other financial institutions | | | |
| Cash received from premiums on direct insurance contracts | | | |
| Net cash received from reinsurance operation | | | |
| Net increase in insured's deposits and investments | | | |
| Cash received for interest, fees and commissions | | | |
| Net increase in placements from banks and other financial institutions | | | |
| Net increase in funds from repurchases | | | |
| Net cash received from customer brokerage deposits | | | |
| Refund of taxes and levies received | | | |
| Other cash received relating to operating activities | 1 | 16,706,539.91 | 55,612,755.40 |
| Sub-total of cash inflow from operating activities | | 1,281,116,691.46 | 860,077,450.16 |

| Item | Notes | Current period | Corresponding period last year |
|--|-------|-------------------------|--------------------------------|
| Cash paid for purchase of goods and services received | | 1,114,441,874.72 | 612,750,313.04 |
| Net increase in customers' loans and advance | | | |
| Net increase in central bank and interbank placement | | | |
| Cash paid for claim settlements on direct insurance contracts | | | |
| Net increase in interbank lending to banks and other financial institutions | | | |
| Cash paid for interest, fees and commissions | | | |
| Cash paid for policyholder dividends | | | |
| Cash paid to and on behalf of employees | | 64,178,961.68 | 62,778,693.67 |
| Payments of all types of taxes and levies | | 18,545,661.30 | 26,428,575.76 |
| Other cash paid relating to operating activities | 2 | 35,099,211.22 | 113,256,380.49 |
| Sub-total of cash outflow from operating activities | | 1,232,265,708.92 | 815,213,962.96 |
| Net cash flow generated from operating activities | | 48,850,982.54 | 44,863,487.20 |
| II. Cash flow generated from investment activities: | | | |
| Cash received from recovery of investments | | | 5,000,000.00 |
| Cash received from returns on investments | | | 692,421.66 |
| Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets | | 155,660.26 | 1,658,644.26 |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Other cash received relating to investment activities | 3 | 5,716,558.17 | |
| Sub-total of cash inflow from investment activities | | 5,872,218.43 | 7,351,065.92 |

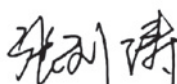
| Item | Notes | Current period | Corresponding period last year |
|--|-------|----------------|--------------------------------|
| Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets | | 16,236,562.67 | 20,803,339.76 |
| Cash paid for investments | | | |
| Net increase in pledged loans | | | |
| Net cash paid for acquiring subsidiaries and other business units | | | |
| Other cash paid relating to investment activities | | | |
| Sub-total of cash outflow from investment activities | | 16,236,562.67 | 20,803,339.76 |
| Net cash flow generated from investment activities | | -10,364,344.24 | -13,452,273.84 |
| III. Cash flow generated from financing activities: | | | |
| Cash received from capital contribution | | 6,350,000.00 | 1,000,000.00 |
| Including: Cash received by subsidiaries from capital contribution of minority interest | | 6,350,000.00 | 1,000,000.00 |
| Cash received from loans obtained | | 43,947,439.17 | 53,000,000.00 |
| Other cash received relating to financing activities | 4 | 2,201,251.00 | |
| Sub-total of cash inflow from financing activities | | 52,498,690.17 | 54,000,000.00 |
| Cash paid for debt services | | 53,580,000.00 | 30,000,000.00 |
| Cash paid for distribution of dividends, profit or interest expenses | | 1,862,551.97 | 2,546,828.54 |
| Including: Dividends and profit payable by subsidiaries to minority interest | | | |
| Other cash paid relating to financing activities | 5 | 6,796,155.31 | |

| Item | Notes | Current period | Corresponding period last year |
|--|-------|----------------|--------------------------------|
| Sub-total of cash outflow from financing activities | | 62,238,707.28 | 32,546,828.54 |
| Net cash flow generated from financing activities | | -9,740,017.11 | 21,453,171.46 |
| IV. Effect of changes in foreign exchange rate on cash and cash equivalents | | -278.83 | -1,559.45 |
| V. Net increase in cash and cash equivalents | | 28,746,342.36 | 52,862,825.37 |
| Add: balance of cash and cash equivalents at the beginning of the period | | 115,370,689.73 | 62,507,864.36 |
| VI. Balance of cash and cash equivalents at the end of the period | | 144,117,032.09 | 115,370,689.73 |

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Cash Flows Statement of the Parent Company

2021

AC03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

| Item | Notes | Current period | Corresponding period last year |
|--|-------|----------------|--------------------------------|
| I. Cash flow generated from operating activities: | | | |
| Cash received from sale of goods and rendering of services | | 268,781,639.30 | 308,467,184.01 |
| Refund of taxes and levies received | | | |
| Other cash received relating to operating activities | | 38,321,183.71 | 129,560,698.34 |
| Sub-total of cash inflow from operating activities | | 307,102,823.01 | 438,027,882.35 |
| Cash paid for purchase of goods and services received | | 175,283,411.72 | 212,452,728.05 |
| Cash paid to and on behalf of employees | | 36,416,138.84 | 38,644,463.03 |
| Payments of all types of taxes and levies | | 2,796,453.15 | 15,678,292.76 |
| Other cash paid relating to operating activities | | 40,573,217.29 | 127,862,350.14 |
| Sub-total of cash outflow from operating activities | | 255,069,221.00 | 394,637,833.98 |
| Net cash flow generated from operating activities | | 52,033,553.01 | 43,390,048.37 |
| II. Cash flow generated from investment activities: | | | |
| Cash received from recovery of investments | | 2,201,251.00 | 5,000,000.00 |
| Cash received from returns on investments | | | 841,606.25 |
| Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets | | | 1,619,809.31 |
| Net cash received from disposal of subsidiaries and other business units | | | |
| Other cash received relating to investment activities | | | |
| Sub-total of cash inflow from investment activities | | 2,201,300.00 | 7,461,415.56 |

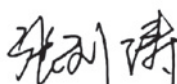
| Item | Notes | Current period | Corresponding period last year |
|--|-------|-----------------------|--------------------------------|
| Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets | | 12,897,327.53 | 17,999,036.38 |
| Cash paid for investments | | 10,231,200.00 | 19,200,000.00 |
| Net cash paid for acquiring subsidiaries and other business units | | | |
| Other cash paid relating to investment activities | | | |
| Sub-total of cash outflow from investment activities | | 23,128,527.53 | 37,199,036.38 |
| Net cash flow generated from investment activities | | -20,927,276.53 | -29,737,620.82 |
| III. Cash flow generated from financing activities: | | | |
| Cash received from capital contribution | | | |
| Cash received from loans obtained | | 30,000,000.00 | 50,000,000.00 |
| Other cash received relating to financing activities | | | |
| Sub-total of cash inflow from financing activities | | 30,000,000.00 | 50,000,000.00 |
| Cash paid for debt services | | 50,000,000.00 | 30,000,000.00 |
| Cash paid for distribution of dividends, profit or interest expenses | | 1,415,180.53 | 2,478,872.46 |
| Other cash paid relating to financing activities | | 3,589,626.24 | |
| Sub-total of cash outflow from financing activities | | 55,004,806.77 | 32,478,872.46 |
| Net cash flow generated from financing activities | | -25,004,806.77 | 17,521,127.54 |

| Item | Notes | Current period | Corresponding period last year |
|--|-------|----------------------|--------------------------------|
| IV. Effect of changes in foreign exchange rate on cash and cash equivalents | | -277.89 | -1,513.15 |
| V. Net increase in cash and cash equivalents | | 6,101,240.82 | 31,172,041.94 |
| Add: balance of cash and cash equivalents at the beginning of the period | | 81,344,147.49 | 50,172,105.55 |
| VI. Balance of cash and cash equivalents at the end of the period | | 87,445,388.31 | 81,344,147.49 |

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Consolidated Statement of Changes in Owners' Equity

2021

AC04
Expressed in RMB


Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

| Items | Current period | | | | | | | | | | Corresponding period of last year | | | | | | | | | | | | | | | | | | | | |
|--|------------------------------------|--------------------------|-----------------|-----------------|----------------------|---|-------------------|---|-----------------|----------------|-----------------------------------|-----------------------|---------------|----------------|-----------------|---|----------------------|-------------------|----------------------|-----------------|----------------|-----------------------|----------------|----------------|-----------------|----------------------|----------------------|-------------------|----------------------|--------------|----------------|
| | Paid-in capital (or share capital) | | | | | Owners' equity attributable to the Parent Company | | | | | Less: | | | | | Owners' equity attributable to the Parent Company | | | | | | | | | | | | | | | |
| | Preference shares | Other equity instruments | Special reserve | Surplus reserve | General risk reserve | Undistributed profit | Minority interest | Total owners' equity (or share capital) | Capital reserve | Reserve shares | Other comprehensive income | Other treasury shares | Other income | Social reserve | Surplus reserve | General risk reserve | Undistributed profit | Minority interest | Total owners' equity | Capital reserve | Reserve shares | Other treasury shares | Other income | Social reserve | Surplus reserve | General risk reserve | Undistributed profit | Minority interest | Total owners' equity | | |
| I. Opening balance of previous year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add: Changes in accounting policies | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Business combination under common control | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| II. Opening balance of the year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| III. Increase/decrease in the current period | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (I) Total comprehensive income | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Capital contribution and reduction | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| by owners | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Ordinary shares from owners | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Capital contribution (to) holders of other equity instruments | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Amount of share-based payment included in owners' equity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Profit appropriation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Transfer to surplus reserve | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Transfer to general risk reserve | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Appropriation to owners (or shareholders) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Internal transfer of owners' equity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Capitalization of capital reserve to capital (or share capital) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Capitalization of surplus reserve to capital (or share capital) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Surplus reserve for reserves in losses | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Transfer of change amount of defined benefit schemes to retained earnings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. Transfer of other comprehensive income to retained earnings | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Special reserve | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. Transfer for the period | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Utilized during the period | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (II) Others | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| IV. Closing balance for the period | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 518,521,500.00 | 25,197,140.18 | 34,728,097.77 | 4,870,891.17 | 11,418,442.55 | 89,172,148.88 | 5,925,350.00 | 15,372,472.17 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 |
| | 518,521,500.00 | 25,197,140.18 | 34,728,097.77 | 4,870,891.17 | 11,418,442.55 | 89,172,148.88 | 5,925,350.00 | 15,372,472.17 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 | -10,282,653.11 | 34,728,097.27 | 9,075,492.88 | 568,389,518.41 |
| | 518,521,500.00 | 25,198,138.89 | 34,728,097.77 | -76,516,383.17 | 25,188,455.30 | 930,891,638.88 | 5,925,350.00 | 25,370,140.18 | 34,728,097.27 | -80,892.25 | 567,722,148.88 | -8,670,911.17 | 34,728,097.27 | -80,892.25 | 567,722,148.88 | -8,670,911.17 | 34,728,097.27 | -80,892.25 | 567,722,148.88 | -8,670,911.17 | 34,728,097.27 | -80,892.25 | 567,722,148.88 | -8,670,911.17 | 34,728,097.27 | -80,892.25 | 567,722,148.88 | -8,670,911.17 | 34,728,097.27 | -80,892.25 | 567,722,148.88 |

Legal representative:



Responsible person for accounting:



Responsible person for

accountant:



Statement of Changes in Owners' Equity of the Parent Company

2021

AC04
Expressed in RMB

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

| Items | Current period | | | | Corresponding period of last year | | | | Total owners' equity | | |
|---|------------------------------------|--|-----------------|-----------------|-----------------------------------|------------------|----------------------------|---------------|----------------------|----------------------|----------------------|
| | Paid-in capital (or share capital) | Other equity instruments Preference shares | Capital reserve | Surplus reserve | Undistributed profit | Special reserve | Other comprehensive income | Other income | | Undistributed profit | Total owners' equity |
| I. Closing balance of previous year | 518,321,560.00 | | 25,124,676.47 | 34,724,987.27 | -18,793,477.80 | 5,965,768,853.94 | 518,321,560.00 | 18,474,739.46 | 34,724,987.27 | -10,838,538.84 | 561,911,837.89 |
| Add: Changes in accounting policies | | | | | | | | | | | |
| Correction of errors of previous periods | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Opening balance of the year | 518,321,560.00 | | 25,124,676.47 | 34,724,987.27 | -18,793,477.80 | 5,965,768,853.94 | 518,321,560.00 | 18,474,739.46 | 34,724,987.27 | -10,838,538.84 | 561,911,837.89 |
| III. Increase/decrease in the current period | | | | | | | | | | | |
| (Increase is denoted as "+") | | | | | | | | | | | |
| (Decrease is denoted as "-") | | | | | | | | | | | |
| (I) Total comprehensive income | | | | | | | | | | | |
| (II) Capital contribution and reduction by owners | | | | | | | | | | | |
| 1. Ordinary shares from owners | | | | | | | | | | | |
| 2. Capital contribution by holders of other equity instruments | | | | | | | | | | | |
| 3. Amount of share-based payment included in owners' equity | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (III) Profit appropriation | | | | | | | | | | | |
| 1. Transfer to surplus reserve | | | | | | | | | | | |
| 2. Appropriation to owners (or shareholders) | | | | | | | | | | | |
| 3. Others | | | | | | | | | | | |
| (IV) Internal transfer of owners' equity | | | | | | | | | | | |
| (V) Capitalization of capital reserve to capital (or share capital) | | | | | | | | | | | |
| 2. Capitalization of surplus reserve to capital (or share capital) | | | | | | | | | | | |
| 3. Surplus reserve for making up losses | | | | | | | | | | | |
| 4. Transfer of change amount of defined benefit schemes to related earnings | | | | | | | | | | | |
| 5. Transfer of other comprehensive income to retained earnings | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | |
| (VI) Special reserve | | | | | | | | | | | |
| 1. Transfer for the period | | | | | | | | | | | |
| 2. Utilised during the period | | | | | | | | | | | |
| (VII) Others | | | | | | | | | | | |
| IV. Closing balance for the period | 518,321,560.00 | | 25,124,676.47 | 34,724,987.27 | -15,249,220.53 | 5,941,211,113.21 | 518,321,560.00 | 26,124,676.47 | 34,724,987.27 | -10,738,477.80 | 599,576,853.94 |

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Notes to Consolidated Financial Statements

2021

Expressed in RMB

I. BASIC INFORMATION ON THE COMPANY

Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as the “Company”) was co-founded by the joint investment from Xinjiang Tianye Company Limited and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司). It was registered with the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The creditability code of its Business License of Enterprise Legal Person is 91650000757655578C and its registered capital is RMB519,521,560.00, comprising 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 00840.

The Company operates in the plastic product manufacturing industry. Its 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, and sales of chemical plastic raw materials.

These financial statements had been approved by the 31st meeting of the sixth session of the Board on 30th March, 2022 for publication.

The Company included the following 12 subsidiaries into the consolidated financial statements for the period. For details, please refer notes 6 and 7 to these financial statements.

| <u>Subsidiary name</u> | <u>Short name</u> |
|--|---------------------------|
| Gansu Tianye Water Saving Device Co., Ltd | Gansu 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 |
| Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.* | Tianfu Ecological |
| Urumuqi Hongrui Plastic Trade Limited | Hongrui Plastic |

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(I) Basis of preparation

The Company's financial statements have been prepared on a going concern basis.

(II) Abilities to continue as a going concern

There is no event or circumstance of the Company which casts material doubts to the going concern abilities for the 12 months from the end of the reporting period.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Importance note: Formulation of specific accounting policies and accounting estimates was based on the features of actual productions and operations of the Company with respect to such transactions or matters as impairment of financial instruments, depreciation of fixed assets, amortization of intangible assets, and recognition of revenue.

(I) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in accordance with the requirements of the Accounting Standards for Business Enterprises ("ASBE"), and gives a true and complete view on information including the financial position, the operating results and cash flows of the Company.

(II) Accounting Period

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

(III) Operating cycle

The Company operates on a relatively short operating cycle, which classifies the liquidity of assets and liabilities by a 12-months standard.

(IV) Functional currency

Renminbi is being adopted as the functional currency.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(V) Accounting treatment for business combinations under and not under common control

1. Accounting treatment for business combinations under common control

Assets and liabilities obtained by the Company in business combinations are measured at the carrying amounts attributable to the combined party as recorded in the consolidated financial statement of the ultimate controlling party at the date of the combination. The difference between the carrying amount of owners' equity attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party and the carrying amount of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve of the Company. If the capital reserve is insufficient to offset the difference, any excess is adjusted against retained earnings.

2. Accounting treatment for business combinations not under common control

The excess of the cost of combination over the fair value of the attributable net identifiable assets of the acquiree acquired in the combination at the combination date is recognized as goodwill. Where the cost of combination is less than the fair value of the attributable net identifiable assets of the acquiree, the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree acquired and of the cost of combination shall be reassess first. If the cost of combination is still less than the fair value of the acquiree's identifiable net assets acquired in the combination upon reassessment, the difference is included in profit or loss for the current period.

(VI) Preparation basis of the consolidated financial statements

The Company includes all subsidiaries under its control in the consolidation scope of the consolidated financial statements, which are prepared by the Company pursuant to ASBE No. 33 — Consolidated financial statements based on the financial statements of the Company and its subsidiaries and other relevant information.

(VII) Recognition criteria of cash and cash equivalents

Cash presented in the Statement of Cash Flows refers to cash on hand and deposits readily available for payments. Cash equivalents represent short-term highly liquid investments which are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(VIII) Translation of operation denominated in foreign currency

Upon initial recognition, a transaction denominated in foreign currency is translated into Renminbi amounts using the rate that approximates the spot exchange rate at the date of transaction. At the balance sheet date, monetary items denominated in foreign currency are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from difference in exchange rates, except exchange differences in relation to the principle of and interest on specific-purpose borrowings denominated in foreign currency for the acquisition and construction of assets that qualify for capitalization, are recognized in profit or loss for the current period. Non-monetary items denominated in foreign currency that are measured at historical cost continue to use the rate that approximates the spot exchange rate at the dates of the transactions without changing its RMB denomination. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the spot exchange rate as at the date of determination of the fair value. The differences are included in profit or loss or other comprehensive income for the current period.

(IX) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories at initial recognition: (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income (FVOCI); (3) financial assets at FVTPL for the current period.

Financial liabilities are classified into the following four categories at initial recognition: (1) financial liabilities at FVTPL for the current period; (2) financial liabilities arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred; (3) financial guarantee contracts that are not classified as category (1) or (2) above, as well as loan commitments with a lower-than-market interest rate that are not classified as category (1) above; and (4) financial liabilities measured at amortized cost.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities

(1) *Basis of recognition and initial measurement of financial assets and financial liabilities*

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument. Financial assets or financial liabilities are measured at fair value upon initial recognition. For financial assets or financial liabilities at FVTPL for the current period, the relevant transaction costs are directly included in profit or loss for the current period; for other categories of financial assets or financial liabilities, the relevant transaction costs are included in their initial recognition amount. However, where trade receivables without significant financing component are initially recognized or the financing components less than one year of trade receivables are not considered by the Company, such trade receivables shall be initially measured at the transaction price defined by the ASBE No.14 — Revenue.

(2) *Subsequent measurement of financial assets*

1) Financial assets measured at amortized cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortized cost and is not part of a hedge relationship shall be recognized in profit or loss for the current period, where such financial asset is derecognized, reclassified, amortized using the effective interest method, or recognized for impairment.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities *(continued)*

(2) Subsequent measurement of financial assets *(continued)*

2) Investments in debt instruments at FVOCI

These assets are subsequently measured at fair value. Interest calculated using the effective interest method, and impairment losses or gains and foreign exchange gains and losses are recognized in profit or loss for the current period. Other net gains or losses are recognized in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are transferred from other comprehensive income to profit or loss for the current period.

3) Investments in equity instruments at FVOCI

These assets are subsequently measured at fair value. Dividends (other than the portion of investment costs recovered) are recognised in profit or loss for the current period. Other gains or losses are recognised in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are transferred from other comprehensive income to retained earnings.

4) Financial assets at FVTPL for the current period

These assets are subsequently measured at fair value. Gains or losses generated, including any interest or dividend income, are recognized in profit or loss for the current period unless the financial assets are part of a hedge relationship.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities *(continued)*

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at FVTPL for the current period

Financial liabilities under this category comprise held-for-trading financial liabilities (including derivative financial liabilities) and financial liabilities designated as FVTPL for the current period. Financial liabilities under this category are subsequently measured at fair value. Changes in fair value of financial liabilities designated at FVTPL for the current period due to changes in the Company's own credit risk are included in other comprehensive income, unless such accounting treatment will result in or augment an accounting mismatch. Other gains or losses incurred by these financial liabilities, including any interest expense (other than changes in fair value due to changes in the Company's own credit risks), are recognized in profit or loss for the current period, unless such financial liabilities are part of a hedge relationship. On derecognition, gains or losses accumulated in other comprehensive income are transferred from other comprehensive income to retained earnings.

2) Financial liabilities arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred

These liabilities are measured according to the requirements of ASBE No. 23 — Transfer of Financial Assets.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

2. Basis of recognition, measurement and conditions of derecognition of financial assets and financial liabilities *(continued)*

(3) *Subsequent measurement of financial liabilities (continued)*

- 3) Financial guarantee contracts that are not classified as category 1) or 2) above and loan commitments with a lower-than-market interest rate that are not classified as category 1) above

Upon initial recognition, these liabilities are subsequently measured at the higher of: ① the loss allowance determined in accordance with impairment policies of financial instruments; ② the balance of the amount initially recognized less the cumulative amortization amount as determined pursuant to ASBE 14 — Revenue.

- 4) Financial liabilities measured at amortized cost

These liabilities are measured at amortised cost using the effective interest method. Gains or losses on a financial liability that is measured at amortized cost and is not part of a hedge relationship shall be recognized in profit or loss for the current period, when such financial liability is derecognized and amortized using the effective interest method.

(4) *Derecognition of financial assets and financial liabilities*

- 1) Financial assets are derecognised when one of the following conditions is met:
 - ① the contractual right to the cash flows from such financial assets has expired;
 - ② such financial assets have been transferred, which meets the requirements of ASBE No. 23 — Transfer of Financial Assets in relation to derecognition of financial assets.
- 2) A financial liability (or part of it) is derecognized accordingly where its present obligation (or part of it) is discharged.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

3. Basis of recognition and measurement of transfer of financial assets

A financial asset is derecognized when the Company has transferred substantially all the risks and rewards associated with the ownership of a financial asset, and the rights and obligations arising from or retained in such transfer shall be separately recognized as assets or liabilities. A transferred financial asset will remain recognized if the Company retains substantially all the risks and rewards associated with the ownership of such financial asset. Where the Company has neither transferred nor retained substantially all the risks and rewards associated with the ownership of the financial asset, it may either (1) derecognize the financial asset if control of the financial asset has not been retained, and the rights and obligations arising from or retained in the transfer shall be separately recognized as assets or liabilities; (2) recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize associated liability accordingly if control has been retained.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred on the date of derecognition and (2) the sum of the consideration received from the transferred financial asset and the amount (which involves investments in debt instruments at FVTPL being the transferred financial assets) for derecognition of the cumulative changes in fair value directly included in other comprehensive income, is recognized in profit or loss for the current period. If a partial transfer of a financial asset as a whole qualifies for derecognition, the carrying amount of the financial asset prior to such transfer is allocated between the part that subject to derecognition and the part subject to recognition, in proportion to the respective fair values of those parts on the date of transfer. The difference between (1) the carrying amount of the part derecognized and (2) the sum of the consideration of the part derecognized and the amount (which involves investments in debt instruments at FVTPL being the transferred financial assets) for derecognition of the cumulative changes in fair value for the part derecognized which has been previously included in other comprehensive income, is included in profit or loss for the current period.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

4. Determination of fair value of financial assets and financial liabilities

The Company adopts valuation techniques that are appropriate under the circumstances and supported by sufficient data and other information available to determine the fair value of the relevant financial assets and financial liabilities. The Company classifies the inputs used by the valuation techniques into the following hierarchies, and applies in the following sequence:

- (1) Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the date of measurement;
- (2) Level 2 inputs are direct or indirect observable inputs for the relevant asset or liability other than Level 1 inputs, including: quoted price for similar assets or liabilities in an active market; quoted price for the same or similar assets or liabilities in an inactive market; other observable inputs excluding quoted price, such as interest rates and yield curves observable at commonly quoted intervals; inputs that are evidenced in market, etc.;
- (3) Level 3 inputs are unobservable inputs for the relevant asset or liability, including interest rates, stock volatility, future cash flows from the disposal obligations assumed in a business combination, financial forecast using internal data that are not directly observable or can not be verified by observable market data.

5. Impairment of financial instruments

(1) Impairment measurement and accounting treatment of financial instruments

Based on the expected credit losses (ECLs), the Company impairs and recognizes the loss allowance with respect to financial assets measured at amortized cost, investments in debt instruments at FVOCI, contract assets, lease receivables, loan commitments other than financial liabilities at FVTPL for the current period, financial liabilities that disqualify for those at FVTPL for the current period or financial guarantee contracts for financial liabilities not arising from the transfer of financial assets that do not qualify for the derecognition criteria or continue to be involved in the financial assets being transferred.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

5. Impairment of financial instruments *(continued)*

(1) *Impairment measurement and accounting treatment of financial instruments (continued)*

ECLs are the weighted average of credit losses of financial instrument with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows receivable according to the contract and discounted at the original effective interest rate and all cash flows expected to be received, that is, the present value of all cash shortfalls. For purchased or originated credit-impaired financial assets, the ECLs are discounted at the credit-adjusted effective interest rate of such financial assets.

For purchased or originated credit-impaired financial assets, the Company only recognizes the cumulative change in lifetime ECLs after initial recognition on the balance sheet date as loss provision.

For lease receivables, trade receivables and contract assets with significant financing components arising from transactions regulated by ASBE No.14 — Revenue, the Company measures loss provision based on the amount of lifetime ECLs by using a simplified measurement method.

For financial assets other than those measured by the aforesaid measurement method, the Company assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Company measures loss provision based on the amount of lifetime ECLs; if the credit risk has not increased significantly since the initial recognition, the Company measures the loss provision based on the amount of next 12-month ECLs.

To assess whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument on the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition through reasonable and supportable information, including forward-looking information available.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

5. Impairment of financial instruments *(continued)*

(1) *Impairment measurement and accounting treatment of financial instruments (continued)*

As at the balance sheet date, the Company assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Company determines that the financial instrument is only exposed to low credit risk.

The Company assesses expected credit risk and measures ECLs on either an individual basis or a collective basis of financial instruments. When the assessment is performed on a collective basis, the financial instruments are classified into various groups by the Company based on shared risk characteristics.

The Company re-measures the ECLs on each balance sheet date, and the increase or reversal of the loss provision resulted therefrom is recognized as an impairment loss or gain in profit or loss for the current period. For financial assets measured at amortized cost, the loss provision is offset against their carrying amounts in the balance sheet. For debt investments at FVOCI, the Company recognizes the loss provision in other comprehensive income and does not deduct the carrying amount of the financial assets.

(2) *Financial instruments for assessing expected credit risk and measuring ECLs by groups*

| Item | Basis of defining groups | Approach for measuring ECLs |
|---|---------------------------------|---|
| Other receivables — group of receivables from government authorities | Customer type | The Company calculates ECLs by using exposure at default and next 12-month or lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions |
| Other receivables — group of receivables from non-government authorities | | |

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

5. Impairment of financial instruments *(continued)*

(3) Trade receivables and contract assets for measuring ECLs by groups

1) Defining groups and approach for measuring ECLs

| Item | Basis of defining groups | Approach for measuring ECLs |
|---|--------------------------|---|
| Bank acceptance receivables | Bill type | The Company calculates ECLs by using exposure at default and lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions |
| Trade acceptance receivables | | |
| Trade receivables — group of receivables from government authorities | Customer type | The Company calculates ECLs by preparing the reconciliation table of the aging of trading receivables and lifetime ECL rates with reference to historical credit loss experience, in combination with the current situation and forecasts of future economic conditions |
| Trade receivables — group of receivables from non-government authorities | Customer type | |

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

5. Impairment of financial instruments *(continued)*

(3) Trade receivables and contract assets for measuring ECLs by groups *(continued)*

- 2) Reconciliation table of the aging of trade receivables — group of receivables from government authorities and the lifetime ECL rates

| Aging | Trade receivables ECL rate (%) |
|---------------------------------------|---|
| Within 1 year (inclusive, same below) | 1 |
| 1 to 2 years | 5 |
| 2 to 3 years | 10 |
| 3 to 4 years | 25 |
| 4 to 5 years | 25 |
| Over 5 years | 90 |

- 3) Reconciliation table of the aging of trade receivables — group of receivables from non-government authorities and the lifetime ECL rates

| Aging | Trade receivables ECL rate (%) |
|---------------------------------------|---|
| Within 1 year (inclusive, same below) | 3 |
| 1 to 2 years | 15 |
| 2 to 3 years | 20 |
| 3 to 4 years | 50 |
| 4 to 5 years | 50 |
| Over 5 years | 100 |

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(IX) Financial instruments *(continued)*

6. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, if the following conditions are met, the net amount offset by each other is presented in the balance sheet: (1) the Company has a statutory right to offset the recognised amount, and such legal right is currently enforceable; (2) the Company plans to settle in net amount or to realise the financial assets and liquidate the financial liabilities at the same time.

For transferred financial assets not qualify for derecognition, the Company will not offset the transferred financial assets against related liabilities.

(X) Inventories

1. Classifications of inventories

Inventories include finished goods or merchandise held for sale during the ordinary course of business, or work in progress in the process of production, or materials or supplies consumed in the production process or in the process of rendering of services.

2. Cost of inventories transferred out

Cost of inventories transferred out is determined using the weighted average method at the end of each month.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(X) Inventories *(continued)*

3. Basis for determination of net realizable value of inventories

At the balance sheet date, the Company's inventories are measured at the lower of cost and net realizable value. Provision for impairment is made for the excess of the cost over the net realizable value of an individual inventory. For inventories for immediate sale, net realizable value is determined as the estimated selling price of the inventories less the estimated costs of sales and relevant taxes and levies in the ordinary course of business. For inventories that require processing, net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies in the ordinary course of business. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realizable values are determined separately and compared with their respective costs to determine the amount of provision for impairment made or reversed.

4. Inventory-taking system

Our inventory-taking system is a perpetual inventory-taking system.

5. Amortization methods for low-value consumables and packaging materials

(1) *Low-value consumables*

One-off amortization method shall apply.

(2) *Packaging materials*

One-off amortization method shall apply.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XI) Contract costs

Assets related to contract costs include contract acquisition costs and contract performance costs.

If the Company expects to recover the incremental cost of the contract, such incremental cost will be recorded as the contract acquisition cost and recognized as an asset. If the amortization period of the contract acquisition cost does not exceed one year, it will be directly included in profit or loss for the current period when it occurs.

The cost of the Company for performing a contract, if it does not apply to the scope of the relevant standards of inventory, fixed assets or intangible assets, and meets the following conditions, will be recorded as the contract performance cost and recognized as an asset:

1. The cost is directly related to a current or anticipated contract, including direct labour, direct materials, manufacturing expenses (or similar expenses), costs definitely borne by the customer, and other costs incurred solely for the contract;
2. This cost increases the resources that the Company will use to fulfill its performance obligations in the future;
3. The cost is expected to be recovered.

The Company amortizes the assets related to the contract costs on the same basis as the goods or service revenue recognition related to the assets, which is recognized in profit or loss for the current period.

If the carrying amount of the assets related to contract costs is higher than the residual consideration expected to be obtained by transferring the goods or service related to the assets minus the estimated cost to be incurred, the Company will make impairment provision for the excess part and recognize it as the impairment loss of assets. The Company will make a reversal of the provision for asset impairment previously made and recognize it in profit or loss for the current period when the impairment conditions have changed resulting in the residual consideration expected to be obtained by transferring the goods or service related to the assets minus the estimated cost to be incurred higher than the carrying amount of the asset. However, the carrying amount of the asset upon reversal shall not exceed the carrying amount that would have been determined on the date of reversal if no impairment provisions had been made previously.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XII) Long-term equity investment

1. Determination of joint control or significant influence

Joint control is determined as the common control over an arrangement according to a related agreement, where the decisions on the activities relating to the arrangement require the unanimous consent of the participating parties sharing the control. Significant influence is determined as the power to participate in the decisions governing the financial and operating policies of the investee but is not able to exercise control or exercise common control with other participating parties over the formulation of those policies.

2. Determination of investment cost

- (1) The initial investment cost of a long-term equity investment obtained through a business combination under common control is the carrying amount of owners' equity attributable to the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination, if the consideration from the combining party is settled in cash, by way of transfer of non-cash assets, assumption of liabilities or issuance of equity securities. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid for the combination or the aggregate nominal values of the shares issued is adjusted against the capital reserve. If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

A long-term equity investment derived from a business combination under common control which achieved by phases through multiple transactions, is determined whether it constitutes a "Package Deal" or not. If it constitutes a "Package Deal", the Company conducts accounting treatment for all transactions as if it is a transaction that obtained control. If a long-term equity investment does not constitute a "Package Deal", its initial investment cost is determined as the carrying amount of the net asset attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party upon combination at the combination date. The difference between the initial investment cost of the long-term equity investment at combination date and the sum of the carrying amount of the long-term equity investment before combination and the carrying amount of new consideration paid for obtaining further shares at combination date is adjusted against the capital reserve. If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XII) Long-term equity investment *(continued)*

2. Determination of investment cost *(continued)*

- (2) For a long-term equity investment derived from a business combination not under common control, the initial investment cost is the fair value of the consideration paid for the combination at the acquisition date.

For a long-term equity investment derived from a business combination not under common control which achieved by phases through multiple transactions, the relevant accounting treatments are conducted separately in individual financial statements and the consolidated financial statements:

- 1) In the individual financial statements, the carrying amount of equity investments originally held is extended by the addition of new investment costs as the initial investment cost and accounted for under the cost method instead.
- 2) In the consolidated financial statements, it is determined whether it constitutes a “Package Deal” or not. If it constitutes a “Package Deal”, the Company conducts accounting treatment for all transactions as if it is a transaction that obtained control. If a long-term equity investment does not constitute a “Package Deal”, the equity in the acquiree held before the acquisition date is remeasured at fair value of the equity on the acquisition date. The difference between the fair value and the carrying amount is included in gain on investment for the current period. If other comprehensive income as accounted for under the equity method is involved in the equity in the acquiree held prior to the acquisition date, the relevant comprehensive income shall be stated as the gain for the current period of the acquisition date. However, it excludes the other comprehensive income due to the remeasurement of changes in net liability or net asset of defined benefit scheme by the investee.
- (3) For a long-term equity investment derived otherwise than by a business combination, if it is acquired by cash payment, its initial investment cost is the effective acquisition consideration paid; if the investment is acquired by issuance of equity securities, its initial investment cost is the fair value of the equity securities issued; if it is acquired by debt restructuring, its initial investment cost is determined in accordance with ASBE No. 12 — Debt Restructuring; if it is acquired by non-monetary assets exchange, its initial investment cost is determined in accordance with ASBE No. 7 — Non-monetary Assets Exchange.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XII) Long-term equity investment *(continued)*

3. Subsequent measurement and recognition of profit or loss

A long-term equity investment with control over the investee is accounted for under the cost method. A long-term equity investment in associates and joint ventures are accounted for under the equity method.

4. Accounting treatment of a disposal of investment in a subsidiary by phases through multiple transactions until the control on the investee has been lost

(1) *Individual financial statements*

For the equity interest being disposed of, the difference between its carrying amount and actual proceeds obtained is included in profit or loss for the current period. For the remaining equity interest, if it still exercises significant influence on or, in conjunction with other parties, has a joint control in the investee, it is accounted for using the equity method instead; or it is accounted for in accordance with ASBE No. 22 — Recognition and Measurement of Financial Instrument if it can no longer exercise control, joint control or significant influence on the investee.

(2) *Consolidated financial statements*

- 1) Disposal of investments in a subsidiary by phases through multiple transactions until the control on the investee has been lost, which does not constitute a “Package Deal”

Prior to the loss of control, the differences between the proceeds from the disposal and the subsidiary’s net assets attributable to the disposed long-term equity investment since acquisition date or combination date are adjusted against the capital reserve (capital premium). If the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XII) Long-term equity investment *(continued)*

4. Accounting treatment of a disposal of investment in a subsidiary by phases through multiple transactions until the control on the investee has been lost *(continued)*

(2) Consolidated financial statements *(continued)*

- 1) Disposal of investments in a subsidiary by phases through multiple transactions until the control on the investee has been lost, which does not constitute a “Package Deal” *(continued)*

When the control over the former subsidiary is lost, the remaining equity interest is remeasured at its fair value at the date when control over the subsidiary has been lost. The difference between the sum of consideration received from the disposal of the equity interest and the fair value of the remaining equity interest less the net assets in the former subsidiary as calculated by the previous percentage of shareholding since acquisition date or combination date is included in investment income during the period in which the control on the investee was lost, offsetting the goodwill at the same time. Other comprehensive income associated with the investment in equity interest in the former subsidiary is transferred to investment income for the period when the control on the investee was lost.

- 2) Disposal of investment in a subsidiary by phases through multiple transactions until the control on the investee has been lost, which constitutes a “Package Deal”

All transactions are collectively accounted for as a transaction for the disposal of a subsidiary in which the control on the investee is lost. Nonetheless, prior to the loss of control, the difference between each of the amounts of the disposal proceeds and the corresponding amounts of the subsidiary’s net assets attributable to the investment being disposed of is recognized as other comprehensive income in the consolidated financial statements, and is transferred collectively to profit or loss during the period when the control on the investee has been lost.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XIII) Fixed assets

1. Recognition conditions for fixed assets

Fixed assets represent the tangible assets held for production of goods or supply of services, lease or operation and administrative purposes with useful lives over one accounting year. Fixed assets are recognized when they simultaneously satisfy the conditions that it is probable that its economic benefits may flow to the Company and the cost can be measured reliably.

2. Depreciation methods of different categories of fixed assets

| Category | Depreciation method | Depreciation period (years) | Residual value rate (%) | Annual depreciation rate (%) |
|----------------------------|----------------------|-----------------------------|-------------------------|------------------------------|
| Buildings and structures | Straight-line-method | 8–40 | 3.00–5.00 | 2.38–12.13 |
| Machinery and equipment | Straight-line-method | 5–14 | 3.00–5.00 | 6.79–19.40 |
| Motor vehicles | Straight-line-method | 5–10 | 3.00–5.00 | 9.50–19.40 |
| Office and other equipment | Straight-line-method | 5–14 | 3.00–5.00 | 6.79–19.40 |

(XIV) Construction in progress

- Construction in progress is recognized when the inflow of economic benefits is probable and the cost can be reliably measured, and is measured at the actual cost for construction of such asset incurred until it is ready for intended use.
- Construction in progress is transferred into fixed assets at its actual cost when it is ready for its intended use. For those ready for intended use but have not completed the final completion audit, the asset is transferred into fixed assets based on the estimated value. After the completion of the final completion audit, the Company makes adjustment to the previous estimated value on the basis of the actual cost, but will not adjust the depreciation retrospectively.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XV) Borrowing costs

1. Principle for recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company directly attributable to the acquisition, construction or production of assets qualified for capitalization are capitalized as the cost of such assets. Other borrowing costs are recognized as expense and charged to profit or loss for the current period as incurred.

2. Period for borrowing costs capitalization

- (1) Borrowing costs begin to be capitalized when all of the following conditions are met: 1) capital expenditures have been incurred, 2) borrowing costs have been incurred, and 3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced.
- (2) Capitalization of borrowing costs is suspended if abnormal interruption has lasted for more than three months during the process of acquisition, construction or production of assets qualified for capitalization. The borrowing costs incurred during interruption are recognized as expenses for the current period until the acquisition, construction or production activities resume.
- (3) Capitalization of borrowing costs ceases when the assets qualified for capitalization have been acquired, constructed or produced and are ready for their intended use or sale.

3. Capitalization rate and capitalized amount of borrowing costs

For specific borrowings borrowed to acquire, construct or produce assets qualified for capitalization, the interests to be capitalized is recognized by deducting any interest earned from depositing the unutilized borrowings in the bank or any investment income from temporary investment of those borrowings from the amount of interest expenses (including amortization of discount or premium determined using the effective interest method) actually incurred on such specific borrowings for the period. For general borrowings used to acquire, construct or produce assets qualified for capitalization, the capitalized amount of interests on general borrowings shall be determined on the basis of the weighted average (of the excess of cumulative assets expenditures over the assets expenditures of specific borrowings) times the capitalization rate (of used general borrowings).

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XVI) Biological assets

1. Biological assets refer to assets comprising of living animals and plants, such as consumable biological assets, productive biological assets, and charity biological asset. No biological asset shall be recognized unless it meets the conditions as follows simultaneously: (1) it is possessed or controlled by an enterprise as a result of past transaction or event; (2) its related economic benefits are likely to flow into the enterprise; and (3) its cost can be measured reliably.
2. **Depreciation of various productive biological assets**

| Type | Depreciation approach | Useful life (years) | Residual rate (%) | Depreciation rate (%) |
|-------------------|-----------------------|---------------------|-------------------|-----------------------|
| Commercial forest | Straight-line method | 13–15 | 5 | 6.33–7.31 |

3. **Basis for determining the useful life and estimated residual values of productive biological assets**

The useful life of productive biological assets is determined by its estimated useful life, and the estimated residual rate of productive biological assets is determined by estimated residual values.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XVII) Intangible assets

1. Intangible assets, including land use rights, patents and non-patent technologies, are initially measured at cost.
2. Intangible assets with definite useful lives are systematically and reasonably amortized over their useful lives based on the pattern of expected realization of the economic benefits relating to the intangible assets, or otherwise are amortized on a straight-line basis over the following specific amortization period if the pattern of the expected realization cannot be reliably determined:

| Item | Amortization period (years) |
|-------------------------|------------------------------------|
| Land use rights | 20, 50 |
| Patents | 10 |
| ERP software | 5 |
| Non-patent technologies | 10 |

3. Expenditure incurred during the research stage of internal research and development projects is included in profit or loss for the current period as incurred. Expenditure incurred during the development stage of internal research and development projects that simultaneously satisfy the following conditions are recognized as intangible assets: (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (2) there is an intention to complete the intangible asset for use or sales; (3) how the intangible asset will generate economic benefits, including the evidence indicating that market exist for the products using the intangible asset to produce or the intangible asset itself has a market; if the intangible asset is for internal use, the evidence indicating its usability; (4) the availability of adequate technical, financial and other resources to support the completion of the development and the ability to use or sell the intangible assets; and (5) the expenditure attributable to the development stage of the intangible asset can be reliably measured.

Specific criteria for dividing expenditure incurred during the research stage and development stage of internal research and development projects: an internal research and development project of the Company, from early research to mature application, is divided into research stage and development stage, specifically, into such stages as research, feasibility studies, project establishing, preliminary studies (including formulation and process design, equipment selection, development of technical standards, etc.), bench-scale testing, pilot testing, and trial-production. The Company takes bench-scale testing as the basis for dividing the research stage and development stage.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XVIII) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, fixed assets, construction in progress, productive biological assets measured under the cost model, and intangible assets with limited useful lives, the Company estimates its recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall be subject to an impairment test each year, irrespective of whether there is any indication of impairment. Impairment test is carried out on goodwill together with the related asset group or asset group portfolio.

If the recoverable amount of such long-term assets is less than its carrying amount, a provision for asset impairment is made at the difference and included in profit or loss for the current period.

(XIX) Long-term deferred expenses

Long-term deferred expenses are accounted for in respect of various expenses which have been incurred but with an amortization period of more than one year (excluding one year). Long-term deferred expenses are measured at actual amount and amortized evenly over the beneficial or required period. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, the full unamortized balance is then transferred to profit or loss for the current period.

(XX) Employee Remuneration

1. Employee remuneration consists of short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

- 2. Accounting treatment for short-term remuneration**

Short-term remuneration actually incurred is recognized as liabilities and included in profit or loss for the current period or cost of related assets during the accounting period in which an employee renders services to the Company.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XX) Employee Remuneration *(continued)*

3. Accounting treatment for post-employment benefits

Post-employment benefits are classified into a defined contribution scheme and a defined benefit scheme.

- (1) The contributions payable as calculated according to the defined contribution scheme are recognized during the accounting period in which the employee renders services to the Company as liabilities and are included in profit or loss for the current period or cost of relevant assets.
- (2) Accounting treatment for the defined benefit scheme normally includes the following steps:
 - 1) The obligations arising from the defined benefit scheme are measured by using the projected unit credit method to estimate the relevant demographic statistical variables and financial variables with unbiased and consistent actuarial assumptions, and the period in which the obligations incurred is determined accordingly. Whereas the obligations arising from the defined benefit scheme are discounted to determine the present value and service costs for the obligations arising from the defined benefit scheme;
 - 2) For the defined benefit scheme which has assets, the deficits or surplus arrived by netting off the fair value of assets of the defined benefit scheme from the present value of the defined benefit scheme are recognized as a net liability or net asset of a defined benefit scheme. Where the defined benefit scheme has surplus, the net asset of the defined benefit scheme is measured at the lower of the surplus or maximum assets limit of the defined benefit scheme;
 - 3) At the end of the period, employee remuneration costs arising from the defined benefit scheme are recognized as three elements, namely, service costs, net interest of net liabilities or net assets of the defined benefit scheme, and changes arising from re-measurement of net liabilities or net assets of the defined benefit scheme. In particular, the service costs and net interest of net liabilities or net assets of the defined benefit scheme are included in profit or loss for the current period or costs of relevant assets, changes arising from re-measurement of net liabilities or net assets of the defined benefit scheme are included in other comprehensive income. These amounts recognized in other comprehensive income are irreversible to profit or loss in subsequent accounting period, but is transferrable within equity.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XX) Employee Remuneration *(continued)*

4. Accounting treatment for termination benefits

For termination benefits provided to employees, employee remuneration liabilities incurred by termination benefits are recognized at the earlier date of the following and charged from profit or loss for the current period: (1) when the Company may not unilaterally revoke the termination benefits provided pursuant to a labour relationship dismissal scheme or redundancy proposal; and (2) the Company recognizes the costs or expenses related to a reorganization involving the payment of termination benefit.

5. Accounting treatment for other long-term employee benefits

Where other long-term benefits provided to employees satisfy the conditions of the defined contribution scheme, the accounting treatment is applied for such benefits according to the relevant requirements of the defined contribution scheme. Other long-term benefits other than this are treated according to the relevant requirements of the defined benefit scheme. In order to simplify the related accounting treatments, the Company recognizes the costs of employee remuneration arising thereof as service costs, the total net amount including net interest of net liabilities or net assets of other long-term employee benefits and changes arising from re-measurement of net liabilities or net assets of other long-term employee benefits is charged from profit or loss for the current period or cost of related assets.

(XXI) Provision

1. Provision is recognized when contingencies such as provision of external guarantees, litigation, quality assurance and loss-making contracts become a present obligation of the Company, and it is probable that an outflow of economic benefits from the Company due to the performance of the obligation and the amount of the obligation can be reliably estimated.
2. Provisions are initially measured on the basis of the best estimate of the expenses required to discharge the relevant present obligation, and the carrying amount of the provision on the balance sheet date is reassessed.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXII) Revenue

1. Principles of revenue recognition

At the inception of any contract, the Company identifies the performance obligation of each individual item as stipulated in any contract when assessing such contract, and confirms whether the performance obligation of such individual item is fulfilled in a specified period of time or at a particular point of time.

The performance obligations are considered to have been fulfilled in a specified period of time when satisfying one of the following conditions, or otherwise fulfilled in a particular point of time: (1) the customer simultaneously obtains and consumes economic benefits arising from the performance by the Company of any contract as the Company performs this contract; (2) the customer is able to exercise control over goods or services in progress as the Company performs this contract; (3) no alternative can be created for the goods or services during the performance by the Company of this contract, and the Company is entitled to receive payments for the performance completed to date during the entire term of this contract.

As for the performance obligations fulfilled within a specific period of time, the Company recognizes revenue according to the performance progress over such period of time. Where the performance progress cannot be reasonably identified, the actual amount of costs incurred shall be recognized as revenue to the extent that compensation for such costs actually incurred is expected. Such recognition continues until the performance progress can be reasonably identified. As for the performance obligations fulfilled at a particular point of time, revenue is recognized at such point of time when the customer obtains the control over the relevant goods or services. In judging whether the customer has secured the control over the goods, the Company considers the following indications: (1) the Company has a present right to the payment for the goods, which means the customer has a present obligation to make payments; (2) the Company has transferred the legal title of the goods to the customers, which means the customers have the legal title to the goods; (3) the Company has transferred physical possession of the goods to customers, which means customers have owned the physical possession of the goods; (4) the Company has transferred the significant risks and rewards of the ownership to the customers, which means customers have received the significant risks and rewards of the goods; (5) the customers have accepted the goods; and (6) other indications show customers have obtained control of the goods.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXII) Revenue *(continued)*

2. Standard for measuring revenue

- (1) The Company recognises as revenue the amount of the transaction price that is allocated to each individual item of the performance obligations. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and expected repayments to the customers.
- (2) For contracts with variable considerations, the Company shall, based on the expected values or the most likely amounts, determine the best estimate of the variable considerations. However, the transaction prices that include the variable considerations shall not exceed the amounts that are most unlikely to have significant reversal for accumulated recognised income when the relevant uncertainties are eliminated.
- (3) Where the contract includes significant financing component, the Company determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when control of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortised within the contract period using effective interest rate. Where the Company expects, at the inception of any contract, that the period between when the customer secures control over such goods and services and when such customer pays for that good or service will be one year or less, the significant financing component shall not be taken into consideration.
- (4) Where the contract includes two or more performance obligations, at the inception of any contract, the Company allocates the transaction price to each individual item of the performance obligations according to the relative proportion of the stand-alone selling prices of the goods or services promised by each individual item of the performance obligations.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXII) Revenue *(continued)*

3. Specific measures to recognize revenue

(1) Revenue recognized by point of time

The Company sells plastic raw materials, drip tapes and drip assemblies, PVC materials for water supply pipes, PE piping materials, and accessories, the performance obligations of which are fulfilled at a particular point of time. Revenue is recognized where the Company, as agreed under the contract, delivers the products to the customers who already accept such products, and collects the payments for such goods or obtains the payment receipts, in which case, the relevant economic benefits may flow in while major risks and returns attached to the ownership of such goods have been transferred.

(2) Revenue recognized by performance progress

Where the Company performs the contract to render installation services, and the customers are able to control the goods or services in progress during the performance by the Company of such contract, the Company considers this as a performance obligation fulfilled in a specific period of time, in which case, revenue is recognized by performance progress, unless otherwise such performance progress cannot be reasonably determined. The Company confirms the performance progress of rendering services using the output or input approach. Where the performance progress cannot be identified reasonably but compensation for the costs incurred by the Company is expected, the amount of such costs incurred shall be recognized as revenue until the performance progress can be reasonably identified.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXIII) Government grants

1. Government grants are recognized when both of the following conditions are met: (1) the Company has fulfilled all the conditions attached to them; and (2) the Company has received the government grants. The monetary grant from the government is measured at the amounts received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.
2. **The basis for determining government grants relating to assets and accounting treatments**

In accordance with the requirements of government documents, the government grants obtained by purchasing or constructing or otherwise originating long-term assets are classified as government grants relating to assets. Where there are no specific requirements of government documents, judgment shall be exercised based on the basic conditions necessary for obtaining such grants. Where the long-term assets are obtained by purchasing or constructing or otherwise originating long-term assets, the grants shall be recognized as the government grants relating to assets. Government grants relating to assets are offset against the carrying amount of the relevant assets, or are recognized as deferred income. Where government grants relating to assets are recognized as deferred income, they are included in profit or loss over the useful lives of the relevant assets in accordance with the reasonable and systematic methods. Nevertheless, government grants measured at notional value are directly included in profit or loss for the current period. Where the relevant assets are sold, transferred, decommissioned or damaged prior to the end of their useful lives, the unallocated balance of the relevant deferred income shall be treated as profit or loss of the asset disposal for the current period.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXIII) Government grants *(continued)*

3. The basis for determining government grants relating to income and accounting treatments

Government grants other than government grants relating to assets are classified as government grants relating to income. Where government grants concurrently include the portion related to assets and the portion related to income, which is difficult to differentiate these portions, such government grants shall be classified as the portion related to income. Government grants relating to income applied in compensating related costs and expenses or losses in subsequent periods are recognized as deferred income and included in profit or loss or offset against the relevant costs for the current period in which the related costs and expenses or losses are recognized. Government grants, applied in compensating related costs or losses already incurred, are directly recognized in profit or loss or offset against the relevant costs for the current period.

4. Where government grants involve the daily business operations of the Company, such grants shall be included to other gains or offset against the relevant costs and expenses based on the economic business nature. Government grants irrelevant to the daily business operations of the Company shall be included to non-operating income and expenses.

(XXIV) Contract assets and contract liabilities

The Company has presented contract assets or contract liabilities in the balance sheet based on the relationship between the fulfilment of performance obligations and payment of the customers. The Company will present the net amount after offsetting the contract assets with the contract liabilities under the same contract.

Accounts receivable is the Company's right to consideration that is unconditional (only the passage of time is required). A contract asset is the Company right to consideration in exchange for goods that it has transferred to a customer when that right is conditional on factors other than the passage of time.

A contract liability represents the obligation to transfer goods to a customer for which the Company has received a consideration or an amount of consideration that is due from the customer.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXV) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are recognized on the basis of the difference between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognized as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled.
2. Deferred income tax assets are recognized for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At the balance sheet date, deferred income tax assets unrecognized in prior accounting periods are recognized to the extent that there is obvious evidence that it has become probable that sufficient taxable profit will be available in subsequent periods against which the deductible temporary differences can be utilized.
3. The carrying amount of deferred income tax assets is reviewed at the balance sheet date and written down to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred income tax asset can be utilized. Such amount is written back to the extent that it has become probable that sufficient taxable profit will be available.
4. The Company's current and deferred income taxes are recognized in profit or loss for the current period as tax expense or profit, excluding income tax arising from (1) business combination; and (2) transactions or issues directly recognized in owners' equity.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVI) Leases

1. The Company as lessee

At the commencement date of lease term, the Company recognizes a lease that has a lease term of 12 months or less as a short-term lease, which shall not contain a purchase option; the Company recognizes a lease as a lease of a low-value asset if the value of underlying asset is less than RMB5,000.00 when it is new. If the Company subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset.

For all short-term leases and leases of low-value assets, lease payments are recognized as cost or profit or loss for the current period with straight-line method over each period of the lease term.

Apart from the above-mentioned short-term leases and leases of low-value assets with simplified approach, the Company recognizes right-of-use assets and lease liabilities at the commencement date of lease term.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost, which includes 1) the initial measurement of lease liabilities; 2) lease payments paid at or before the commencement date of the lease, net of amounts relating to lease incentives taken, if any; 3) initial direct cost incurred by the lessee; and 4) the costs expected to be incurred by the lessee to dismantle and remove the leased asset, restore the site on which the lease asset is located or restore the lease asset to the condition agreed under the terms of the lease.

The Company depreciates right-of-use assets on a straight-line basis. When the Company can reasonably determine that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over its remaining useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its remaining useful life.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVI) Leases *(continued)*

1. The Company as lessee *(continued)*

(2) Lease liabilities

At the commencement date of lease term, the Company measures the lease liability at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate shall be used. Unrecognized financing expenses, calculated at the difference between the lease payment and its present value, are recognized as interest expenses over each period of the lease term using the discount rate which has been used to determine the present value of lease payment and included in profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are included in profit or loss in the periods in which they are incurred.

After the commencement date of lease term, the Company remeasures the lease liability to reflect changes to the lease payments and adjusts the carrying amount of the right-of-use assets accordingly, if there is a change in the following items: (a) fixed payments; (b) amounts expected to be payable under residual value guarantees; (c) an index or a rate used to determine lease payments; (d) assessment result or exercise of purchase option, extension option or termination option. If the carrying amount of the right-of-use asset has been reduced to nil but the lease liability is subject to further reduction, the remaining amount is charged to the profit or loss for current period.

2. The Company as lessor

At the commencement date of lease term, the Company classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, it is classified as an operating lease.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVI) Leases *(continued)*

2. The Company as lessor *(continued)*

(1) Operating lease

Lease receipts are recognized as lease income with straight-line method over each period of the lease term. Initial direct costs incurred shall be capitalized and recognized as profit or loss for the current period over the lease term on the same basis as the lease income. Variable lease payments related to operating lease which are not included in the lease payment are charged as profit or loss in the periods in which they are incurred.

(2) Financial lease

At the commencement date of lease term, the Company recognizes the financial leasing receivables based on net lease investments (being the sum of the unguaranteed residual values and the present value of outstanding lease payments discounted by the interest rate implicit in the lease with effect from the commencement date of lease term), which is derecognized as financial lease assets. During each period of the lease term, the Company calculates and confirms interest income based on the interest rate implicit in the lease.

The variable lease payment amount measured by the net lease investments obtained by the Company to be included shall be accounted to the current profit or loss when incurred.

(XXVII) Significant accounting judgements and estimates

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key assumptions of the estimates and judgments of uncertainties are reviewed on an ongoing basis by the Company. The effects of changes to accounting estimates are recognized during the period in which the estimate is revised and in any future periods affected.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVII) Significant accounting judgements and estimates *(continued)*

The main uncertainties in the estimated amount are as follows:

1. Recognition of deferred income tax assets

As stated in note III(XXV) to these Financial Statements, deferred income tax assets are recognized on the basis of the deductible temporary differences between the carrying amounts of the assets or liabilities and their tax bases (for an item not recognized as asset or liability but for which tax base can be determined under tax laws, the difference between its tax base and its carrying amount), and are calculated by applying the tax rates applicable to the period in which the assets are expected to be recovered or the liabilities are expected to be settled. Deferred income tax assets are recognized for deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

2. Impairment of financial instruments and contract assets

As stated in note III(IX) to these financial statements, based on ECLs, the Company impairs and recognizes the loss allowance with respect to financial assets amortized at costs (i.e. trade receivables and other receivables) and investments in debt instruments at FVOCI (i.e. bills receivables financing).

3. Provision for impairment of inventories

As stated in note III(X) to these Financial Statements, at the balance sheet date, the Company's inventories are measured at the lower of cost and net realizable value. Provision for impairment is made for the excess of the cost over the net realizable value of individual inventory. For inventories for immediate sale, net realizable value is determined as the estimated selling price of the inventories less the estimated costs of sales and relevant taxes and levies in the ordinary course of business. For inventories that require processing, net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies in the ordinary course of business. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realizable values are determined separately and compared with their respective costs to determine the amount of provision for impairment made or released.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVII) Significant accounting judgements and estimates *(continued)*

4. Impairment of long-term assets

As stated in note III(XVIII) to these Financial Statements, for long-term assets such as long-term equity investments, fixed assets, construction in progress, productive biological assets measured under the cost model, and intangible assets with limited useful lives, the Company estimates its recoverable amount when there is evidence at the balance sheet date that the intangible assets are impaired. Goodwill arising from a business combination and an intangible asset with an indefinite useful life shall be subject to impairment test each year, irrespective of whether there is any indication of impairment. Impairment test is carried out on goodwill together with the related asset group or asset group portfolio. If the result of the recoverable amount measurement indicates that the recoverable amount of such long-term assets is less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. That reduction is recognized as an impairment loss and charged to profit or loss for the current period. A provision for impairment of the assets is recognized accordingly.

(XXVIII) Changes in significant accounting policies

1. Changes in accounting policies arising from changes in Accounting Standards for Business Enterprises

- (1) The Company has implemented the Interpretation No. 14 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance in 2021 since 26 January 2021. The change in such accounting policy has no impact on the financial statements of the Company.
- (2) The Company has implemented the provisions of Interpretation No. 15 of the Accounting Standards for Business Enterprises "Presentation in relation to Concentrated Management of Capital" issued by the Ministry of Finance since 31 December 2021. The change in such accounting policy has no impact on the financial statements of the Company.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)*

(XXVIII) Changes in significant accounting policies *(continued)*

2. Changes in other accounting policies

(1) *Details of and reasons for changes in accounting policies*

According to the fifth batch of questions and answers on the implementation of accounting standards for enterprises in 2021 issued by the Accounting Bureau of the Ministry of Finance on 1 November 2021, for the transportation costs arising from the provision of transportation services for the purpose of performance of contracts with customers that don't constitute a single performance obligation before the control of the goods or services has been transferred to the customers, a company shall recognise them as contract performance costs, which shall be amortised using the same basis as revenue recognition for goods or services and included in current profit or loss, and shall be presented under "operating costs" in the statement of profit or loss. The Company has applied such changes in accounting policies using a retrospective approach.

(2) *Accounting items and amounts that have been materially affected*

| Accounting items materially affected | Amounts affected | Remarks |
|---|-------------------------|----------------|
| Statement of income for the year 2020 | | |
| Operating costs | 11,741,038.56 | |
| Distribution costs | -11,741,038.56 | |

IV. TAXATION

(I) Principal tax types and tax rates

| Tax types | Tax basis | Tax rate (%) |
|---------------------------------------|---|----------------|
| VAT | The output tax is calculated on the income from the sale of goods and taxable services that calculated in accordance with the provisions of the tax law. The value added tax payable is the difference between the output tax and the input tax allowed to be deducted for the period | 3, 5, 6, 9, 13 |
| Property tax | Ad-valorem tax levied at 1.2% on the difference between initial costs of the property less 30%; tax assessable on rent levied at 12% of the rental income | 1.2, 12 |
| City maintenance and construction tax | Turnover tax paid | 1, 7 |
| Education surcharge | Turnover tax paid | 3 |
| Local education surcharge | Turnover tax paid | 2 |
| EIT | Taxable profit | 15, 20 |

Information on income tax rates of taxpayers with various tax rates

| Name of taxpayer | Income tax rate (%) |
|--|---------------------|
| the Company, Gansu Tianye, Akesu Tianye and Tiancheng Water Saving | 15 |
| Kuitun Water Saving, Liaoning Tianye, Xiyang Water Saving, Xiyu Water Conservancy, Zhongxinnong Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Tianfu Ecological and Hongrui Plastic | 20 |

IV. TAXATION *(continued)*

(II) Tax concession

1. Value-added tax (“VAT”)

- (1) Income of the Company and its subsidiaries from sale of agricultural plastic films is exempted from value-added tax under the Notice on VAT Exemption Policy on Certain Materials for Agricultural Production (Cai Shui [2001] No. 113) issued by the Ministry of Finance and the State Administration of Taxation.

The Company and its subsidiaries have been exempted from VAT for the production, sale, wholesaling and retailing of belts and pipes products for drip irrigation under the requirements of the Notice on VAT Exemption for Belts and Pipes Products for Drip Irrigation (Cai Shui [2007] No. 83) issued by the Ministry of Finance and the State Administration of Taxation.

VAT has been levied at a tax rate applicable to agricultural mechanization, on water saving drip irrigation products produced and sold by the Company and drip irrigation products processed and assembled with devices, such as filters, main pipes, branch pipes, agricultural plastic films for drip irrigation and sprinkler heads, under the Notice of Shihezi SAT Office on VAT Levied on Water Saving Drip Irrigation Products Produced and Sold by Xinjiang Tianye Water Saving Irrigation System Company Limited issued by the Shihezi SAT Office of the Xinjiang Uygur Autonomous Region on 9th September, 2005, 9% since 1st April, 2019.

- (2) Belts for drip irrigation produced and sold by Tiancheng Water Saving, a subsidiary have been exempted from VAT under the Notice on Registration and Filing for Tax Reduction and Exemption (Sha Guo Shui Jian Mian Bei Zi [2009] No. 058) issued by the Shawan County SAT Office.

Plastic films sold by the subsidiary Tiancheng Water Saving have been exempted from VAT under the Notice on Registration and Filing for Tax Reduction and Exemption (Sha Guo Shui Jian Mian Bei Zi [2009] No. 059) issued by the Shawan County SAT Office.

IV. TAXATION *(continued)*

(II) Tax concession *(continued)*

1. Value-added tax (“VAT”) *(continued)*

- (3) Pursuant to the Letter on Confirmation of The Principal Businesses of Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司) Conforming to the State Encouraged Enterprises issued by the Economic and Information Commission of the Xinjiang Uygur Autonomous Region, Xin Jing Xin Chan Ye Han [2013] No. 322 (新經信產業函[2013]322號), the businesses of agricultural plastic belts and pipes for drip irrigation engaged by the subsidiary, Akesu Tianye, conform to the content set out in clause 6 “Development and Production of Agricultural Plastic Water Saving Products and Durable (Three Years and Above) Functional Agricultural Films” of Article 19 “Light Industry” under the “Encouraged Category” of Order No. 9 of the National Development and Reform Commission, “Catalogue for the Guidance of Industrial Restructuring (2011 version)”. It is agreed that Akesu Tianye would be exempted from city maintenance and construction tax, education surcharge and local education surcharge from 23rd February, 2012 under relevant requirements under the Notice on VAT Exemption for Belts and Pipes for Drip Irrigation, (Cai Shui [2007] No. 83) (財稅[2007]83號) issued by the Ministry of Finance and the State Administration of Taxation and the document of Akesu Di Shui Jian Mian Bei Zi 2012 No. 76 (阿克蘇市地稅減免備字2012[76]號).
- (4) According to Cai Shui [2007] No.83 Circular, Akesu Tianye applied for tax relief filing on VAT for drip tapes and pipes on 7th November, 2016, and has been exempted from VAT for drip tapes and pipes since 3rd January, 2016 and 1st November, 2016, respectively.

IV. TAXATION *(continued)*

(II) Tax concession *(continued)*

2. Enterprise Income Tax (“EIT”)

- (1) The Company and its subsidiaries, Gansu Tianye, Akesu Tianye and Tiancheng Water Saving were subjected to an EIT tax rate of 15% in 2021 as they complied with the requirements of the tax concession policies of the Western Development.
- (2) Pursuant to the relevant regulations in respect of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No.13) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, our subsidiaries including Kuitun Water Saving, Liaoning Tianye, Xiyang Water Saving, Xiyu Water Conservancy, Zhongxinnong Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Tianfu Ecological and Hongrui Plastic satisfied the Inclusive Tax Deduction and Exemption Policies for Micro and Small Enterprises. The portion of their annual taxable income not exceeding RMB1 million, the annual taxable income shall be calculated at a reduced rate of 25% as taxable income amount and be subject to EIT at 20% tax rate; the portion over RMB1 million but not exceeding RMB3 million shall be calculated at a reduced rate of 50% as taxable income amount and be subject to EIT at 20% tax rate. PRC subsidiaries of the Group enjoy this preferential income tax treatment for the Periods. In addition, pursuant to the relevant regulations in respect of the Announcement on Implementing Preferential Income Tax Policy for Small and Micro Enterprises and Individual Business ([2021] No.12) jointly issued by the Ministry of Finance and the State Administration of Taxation in the PRC, the portion of annual taxable income not exceeding RMB1 million, the annual taxable income of small and micro enterprises shall be subject to EIT at 50% tax rate on top of the preferential policies stipulated in Article 2 of the Notice on the Implementation of Inclusive Tax Concessions for Small and Micro Enterprises (Cai Shui [2019] No.13).

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Notes to items in the Consolidated Balance Sheet

1. Cash

(1) Breakdown

| Item | Closing balance | Closing balance of the previous year |
|-------------------|-----------------------|--|
| Bank deposit | 146,774,325.18 | 115,355,782.82 |
| Other cash (Note) | 1,553,503.76 | 980,386.99 |
| Total | 148,327,828.94 | 116,336,169.81 |

Note: Other cash primarily consists of guarantee deposits and investment in futures-refundable

(2) Other information

As of December 31, 2021, a portion of bank deposits amounted to RMB2,667,000.00 has been judicially frozen, and the funds for banking operations amounted to RMB5,200.00 has also been frozen, and the guarantee deposits of RMB1,538,596.85 included in other cash has been restricted in use.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

2. Trade receivables

(1) Breakdown

1) Breakdown by category

| Category | Closing balance | | | | Carrying amount |
|---|-----------------|------------|--------------------|--------------|-----------------|
| | Book balance | | Bad-debt provision | | |
| | Amount | Percentage | Amount | Percentage | |
| | | (%) | | of provision | |
| Bad-debt provision made on a separate basis | 27,533,460.05 | 13.41 | 24,991,535.99 | 90.77 | 2,541,924.06 |
| Bad-debt provision made on a group basis | 177,823,074.29 | 86.59 | 30,196,380.22 | 16.98 | 147,626,694.07 |
| Total | 205,356,534.34 | 100.00 | 55,187,916.21 | 26.87 | 150,168,618.13 |

(continued from the previous table)

| Category | Closing balance of the previous year | | | | Carrying amount |
|---|--------------------------------------|------------|--------------------|--------------|-----------------|
| | Book balance | | Bad-debt provision | | |
| | Amount | Percentage | Amount | Percentage | |
| | | (%) | | of provision | |
| Bad-debt provision made on a separate basis | 14,249,691.78 | 6.64 | 13,396,292.78 | 94.01 | 853,399.00 |
| Bad-debt provision made on a group basis | 200,422,042.59 | 93.36 | 28,172,731.83 | 14.06 | 172,249,310.76 |
| Total | 214,671,734.37 | 100.00 | 41,569,024.61 | 19.36 | 173,102,709.76 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

2. Trade receivables (continued)

(1) Breakdown (continued)

- 2) Trade receivables for which bad-debt provision is made on a separate basis at the end of the period

| Name of entity | Book balance | Bad-debt provision | Percentage of provision (%) | Reason for provision |
|--|--------------|--------------------|-----------------------------|--|
| The 124th Corps of the Seventh Agricultural Division | 2,761,283.08 | 2,761,283.08 | 100.00 | It is beyond the national budget for the project after inspection and auditing, with no extrabudgetary funds being disbursed |
| Liaoning Dongrun Seed Co. Ltd.* (遼寧東潤種業有限公司) | 3,000,000.00 | 3,000,000.00 | 100.00 | It is expected to be irrecoverable as it is in the process of enforcement due to insolvency of the counter party |
| Kaiyuan Agricultural Technology Popularization Center* (開原市農業技術推廣中心) | 931,850.12 | 931,850.12 | 100.00 | It is expected to be irrecoverable due to on-going appeal |
| Heilongjiang Province Fuyu Pasture* (黑龍江省富裕牧場) | 831,520.00 | 831,520.00 | 100.00 | It is expected to be irrecoverable due to disagreement on the quality upon acceptance |
| Guangxi Gaoliang Technology Agricultural Development Co., Ltd.* (廣西高良科技農業開發有限公司) | 1,475,998.79 | 1,475,998.79 | 100.00 | It is expected to be irrecoverable as the company has been revoked |
| Inner Mongolia Mining Exploitation Co., Ltd. | 9,474,094.30 | 7,474,094.30 | 78.89 | It is expected to be irrecoverable and we have filed a lawsuit against it |
| Huludao Happy Food Limited* (葫蘆島開心食品有限公司) | 3,432,996.00 | 3,432,996.00 | 100.00 | It is expected to be irrecoverable as the company has been revoked |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

2. Trade receivables (continued)

(1) Breakdown (continued)

- 2) Trade receivables for which bad-debt provision is made on a separate basis at the end of the period (continued)

| Name of entity | Book balance | Bad-debt provision | Percentage of provision (%) | Reason for provision |
|---|---------------|--------------------|-----------------------------|---|
| the 128th Corps of the Seventh Agricultural Division | 147,681.25 | 147,681.25 | 100.00 | It is expected to be irrecoverable |
| Xinjiang Asina Agricultural Technology Limited* (新疆阿斯納農科公司) | 531,786.65 | 531,786.65 | 100.00 | It is expected to be irrecoverable due to on-going appeal |
| Hongshan Farmland under the 13th Division of Xinjiang Production and Construction Corps | 716,804.82 | 716,804.82 | 100.00 | It is expected to be irrecoverable due to disagreement on the quality upon acceptance |
| Zen Mingmin (曾明敏) | 128,447.59 | 128,447.59 | 100.00 | It is expected to be irrecoverable and we have filed a lawsuit against it |
| Zhangye Tianrun Water Saving Equipment Co., Ltd.* 張掖市天潤節水器材有限責任公司 | 894,500.00 | 894,500.00 | 100.00 | It is expected to be irrecoverable and we have filed a lawsuit against it |
| Chifeng Yunong Water Saving Equipment Co., Ltd.* (赤峰雨農節水器材有限公司) | 2,664,573.39 | 2,664,573.39 | 100.00 | It is expected to be irrecoverable and we have filed a lawsuit against it |
| Xinjiang Tianye Company Limited | 523,809.52 | | | A related party, without credit losses after testing |
| Tianneng Chemical Co., Ltd.* (天能化工有限公司) | 18,114.54 | | | A related party, without credit losses after testing |
| Sub-total | 27,533,460.05 | 24,991,535.99 | 90.77 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

2. Trade receivables *(continued)*

(1) Breakdown *(continued)*

3) Trade receivables for which bad-debt provision is made on a group basis

| Item | Closing balance | | |
|--|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | Percentage of provision (%) |
| Group of receivables from non-government authorities | 84,668,416.28 | 21,917,395.92 | 25.89 |
| Group of receivables from government authorities | 93,154,658.01 | 8,278,984.30 | 8.89 |
| Sub-total | 177,823,074.29 | 30,196,380.22 | 16.98 |

① In the group of receivables from non-government authorities, trade receivables for which bad-debt provision has been made using the reconciliation table of aging loss rates

| Aging | Closing balance | | |
|--|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | Percentage of provision (%) |
| Within 1 year (inclusive, same rule applies below) | 31,412,900.56 | 942,387.01 | 3.00 |
| 1-2 years | 8,917,880.95 | 1,337,682.15 | 15.00 |
| 2-3 years | 19,167,770.89 | 3,833,554.19 | 20.00 |
| 3-4 years | 16,850,161.98 | 8,425,081.00 | 50.00 |
| 4-5 years | 1,882,020.68 | 941,010.35 | 50.00 |
| Over 5 years | 6,437,681.22 | 6,437,681.22 | 100.00 |
| Sub-total | 84,668,416.28 | 21,917,395.92 | 25.89 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

2. Trade receivables *(continued)*

(1) Breakdown *(continued)*

3) Trade receivables for which bad-debt provision is made on a group basis *(continued)*

② In the group of receivables from government authorities, trade receivables for which bad-debt provision has been made using the reconciliation table of aging loss rates

| Aging | Closing balance | | |
|---|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | Percentage of provision (%) |
| Within 1 year (inclusive, same rule applies below) | 51,006,478.24 | 510,064.78 | 1.00 |
| 1-2 years | 19,181,182.71 | 959,059.14 | 5.00 |
| 2-3 years | 6,329,149.30 | 632,914.93 | 10.00 |
| 3-4 years | 8,278,650.12 | 2,069,662.53 | 25.00 |
| 4-5 years | 5,255,376.86 | 1,313,844.22 | 25.00 |
| Over 5 years | 3,103,820.78 | 2,793,438.70 | 90.00 |
| Sub-total | 93,154,658.01 | 8,278,984.30 | 8.89 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

2. Trade receivables (continued)

(2) Aging analysis

| Aging | Closing balance | | | Closing balance of the previous year | | |
|---|-----------------|--------------------|-----------------------------|--------------------------------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | Percentage of provision (%) | Book balance | Bad-debt provision | Percentage of provision (%) |
| Within 1 year (inclusive, same rule applies below) | 82,565,940.93 | 1,580,899.38 | 1.91 | 64,637,511.59 | 1,302,462.17 | 2.02 |
| 1-2 years | 28,099,063.66 | 2,296,741.29 | 8.17 | 60,029,425.03 | 5,394,098.77 | 8.99 |
| 2-3 years | 26,020,729.71 | 4,466,469.12 | 17.17 | 54,605,098.65 | 9,503,917.24 | 17.40 |
| 3-4 years | 36,417,088.90 | 19,783,020.33 | 54.32 | 8,761,264.98 | 2,698,270.98 | 30.80 |
| 4-5 years | 7,137,397.54 | 2,254,854.57 | 31.59 | 6,823,416.93 | 3,240,358.35 | 47.49 |
| Over 5 years | 25,116,313.60 | 24,805,931.52 | 98.76 | 19,815,017.19 | 19,429,917.10 | 98.06 |
| Total | 205,356,534.34 | 55,187,916.21 | 26.87 | 214,671,734.37 | 41,569,024.61 | 19.36 |

Aging analysis over trade receivables is only based on the month when amounts are actually recorded, and the settlement to such amount will be prioritized in terms of capital turnover.

(3) Changes in bad-debt provision

| Item | Opening balance | Increase during the period | | | Decrease during the period | | | Closing balance |
|---|-----------------|----------------------------|----------|------------|----------------------------|-----------|--------|-----------------|
| | | Provision | Recovery | Others | Write-back | Write-off | Others | |
| Bad-debt provision made on a separate basis | 13,396,292.78 | 11,595,243.21 | | | | | | 24,991,535.99 |
| Bad-debt provision made on a group basis | 28,172,731.83 | 1,821,678.27 | | 201,970.12 | | | | 30,196,380.22 |
| Total | 41,569,024.61 | 13,416,921.48 | | 201,970.12 | | | | 55,187,916.21 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

2. Trade receivables *(continued)*

(4) Top 5 trade receivables

| Name of entity | Book balance | Percentage to trade receivables balance (%) | Bad-debt provision |
|---|-----------------|--|-----------------------|
| Xinjiang Jubilation International Trade Development Co., Ltd. | 23,508,696.20 | 11.45 | 6,860,314.78 |
| Inner Mongolia Mining Exploitation Co., Ltd. | 9,474,094.30 | 4.61 | 7,474,094.30 |
| The Agriculture and Animal Husbandry Bureau of Horqin Right Middle Banner* (科爾沁左翼中旗 農牧局) | 9,174,175.69 | 4.47 | 91,741.76 |
| Pishan Farm under the 14th Division of Xinjiang Production and Construction Corps* (新疆生產建設 兵團第十四師皮山農場) | 6,504,075.06 | 3.17 | 65,040.75 |
| Xinjiang Tianfu Group Co., Ltd.* (新疆天富集 團有限責任公司) | 5,939,345.57 | 2.89 | 290,269.08 |
| Sub-total | 54,600,386.82 | 26.59 | 14,781,460.67 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

3. Receivables financing

(1) Breakdown

| Item | Closing balance | | Closing balance of the previous year | |
|------------------|-----------------|---|--------------------------------------|---|
| | Book value | Cumulative recognition of provision for credit impairment | Book value | Cumulative recognition of provision for credit impairment |
| Bill receivables | 4,921,714.35 | | 4,800,000.00 | |
| Total | 4,921,714.35 | | 4,800,000.00 | |

(2) Information on bill receivables of the Company endorsed or discounted at the end of the period and had not yet fallen due as at the balance sheet date

| Item | Amount derecognized at the end of the period |
|-----------------------|--|
| Bank acceptance bills | 31,336,516.05 |
| Sub-total | 31,336,516.05 |

Bank acceptance bills' acceptor is a commercial bank, which has higher credit, and the bank acceptance bills are less unlikely to be paid upon maturity, so the Company will have endorsed or discounted bank acceptance bills derecognized. However, if such bills could not be paid upon maturity, in accordance with the Law of Negotiable Instruments, the Company shall also bear joint liability for the bill holders.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

4. Prepayments

(1) Aging analysis

| Aging | Closing balance | | | Closing balance of the previous year | | | | |
|---------------|-----------------|----------------|--------------------------|--------------------------------------|---------------|----------------|--------------------------|-----------------|
| | Book balance | Percentage (%) | Provision for impairment | Carrying amount | Book balance | Percentage (%) | Provision for impairment | Carrying amount |
| Within 1 year | 23,916,437.77 | 90.65 | | 23,916,437.77 | 19,264,206.23 | 96.52 | | 19,264,206.23 |
| 1-2 years | 2,439,396.02 | 9.25 | | 2,439,396.02 | 537,123.76 | 2.69 | | 537,123.76 |
| 2-3 years | 27,000.00 | 0.10 | | 27,000.00 | 78,500.00 | 0.39 | | 78,500.00 |
| Over 3 years | | | | | 80,000.00 | 0.40 | | 80,000.00 |
| Total | 26,382,833.79 | 100.00 | | 26,382,833.79 | 19,959,829.99 | 100.00 | | 19,959,829.99 |

(2) Top 5 prepayments

| Name of entity | Book balance | Percentage to prepayments balance (%) |
|---|---------------|---------------------------------------|
| Northwest Chemical Products 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) | 6,686,077.33 | 25.34 |
| Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) | 2,374,053.87 | 9.00 |
| Tianjin Port Free Trade Zone Haihui International Trade Development Co., Ltd.* (天津港保稅區海匯國際貿易發展有限公司) | 1,371,200.00 | 5.20 |
| Hanggin Rear Banner Comprehensive Agricultural Development Project Construction Centre (杭錦後旗農業綜合開發項目建設中心) | 1,263,100.40 | 4.79 |
| Shihezi Shuopeng Agricultural Technology Co., Ltd.* (石河子市碩鵬農業科技有限公司) | 1,051,949.45 | 3.99 |
| Sub-total | 12,746,381.05 | 48.32 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

5. Other receivables

(1) Breakdown

1) Breakdown by category

| Category | Closing balance | | | | |
|---|----------------------|----------------|---------------------|-----------------------------|----------------------|
| | Book balance | | Bad-debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Bad-debt provision made on a separate basis | 10,000.00 | 0.04 | | | 10,000.00 |
| Bad-debt provision made on a group basis | 28,110,747.46 | 99.96 | 3,482,796.12 | 12.39 | 24,627,951.34 |
| Total | 28,120,747.46 | 100.00 | 3,482,796.12 | 12.39 | 24,637,951.34 |

(continued from the previous table)

| Category | Closing balance of the previous year | | | | |
|---|--------------------------------------|----------------|---------------------|-----------------------------|----------------------|
| | Book balance | | Bad-debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Bad-debt provision made on a separate basis | 10,000.00 | 0.03 | | | 10,000.00 |
| Bad-debt provision made on a group basis | 30,608,625.89 | 99.97 | 2,065,879.83 | 6.75 | 28,542,746.06 |
| Total | 30,618,625.89 | 100.00 | 2,065,879.83 | 6.75 | 28,552,746.06 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

5. Other receivables (continued)

(1) Breakdown (continued)

- 2) Other receivables for which bad-debt provision is made on a separate basis at the end of the period

| Name of entity | Book balance | Percentage | | Reason for provision |
|--|--------------|--------------------|------------------|--|
| | | Bad-debt provision | of provision (%) | |
| Beijing Tianye Luzhou Technology and Development Co, Ltd | 10,000.00 | | | A related party, without credit losses after testing |
| Sub-total | 10,000.00 | | | |

- 3) Other receivables for which bad-debt provision is made on a group basis

| Name | Closing balance | | Percentage of provision (%) |
|--|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | |
| Group of receivables from non-government authorities | 6,924,582.68 | 1,634,356.61 | 23.60 |
| Group of receivables from government authorities | 21,186,164.78 | 1,848,439.51 | 8.72 |
| Sub-total | 28,110,747.46 | 3,482,796.12 | 12.39 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

5. Other receivables *(continued)*

(2) Aging information

| Item | Closing book balance | Closing book balance of previous year |
|---------------|-------------------------|---|
| Within 1 year | 11,479,610.60 | 19,127,714.26 |
| 1–2 years | 9,718,673.89 | 7,684,892.79 |
| 2–3 years | 3,531,491.27 | 1,730,233.10 |
| 3–4 years | 1,726,000.00 | 86,978.57 |
| 4–5 years | 81,878.57 | 1,353,739.44 |
| Over 5 years | 1,583,093.13 | 635,067.73 |
| Sub-total | 28,120,747.46 | 30,618,625.89 |

(3) Changes in bad-debt provision

| Item | Phase 1 Next 12-month ECLs | Phase 2 Lifetime ECLs (without credit impairment) | Phase 3 Lifetime ECLs (with credit impairment) | Sub-total |
|--|-------------------------------------|--|---|--------------|
| Opening balance | 346,196.95 | 435,705.89 | 1,283,976.99 | 2,065,879.83 |
| Opening balance for the current period | – | – | – | |
| – Transferred to Phase 2 | –107,704.70 | 107,704.70 | | |
| – Transferred to Phase 3 | | –197,053.93 | 197,053.93 | |
| – Written back from Phase 2 | | | | |
| – Written back from Phase 1 | | | | |
| Provision for the current period | –45,952.03 | 192,166.86 | 1,270,701.46 | 1,416,916.29 |
| Recovered for the current period | | | | |
| Written back for the current period | | | | |
| Written off for the current period | | | | |
| Other changes | | | | |
| Closing balance | 192,540.22 | 538,523.52 | 2,751,732.38 | 3,482,796.12 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

5. Other receivables (continued)

(4) Category of other receivables by nature

| Nature | Closing balance | Closing balance of the previous year |
|---|----------------------|--------------------------------------|
| Security deposits | 26,159,746.22 | 25,301,498.94 |
| Provisional accounts receivables | 594,821.76 | 4,079,239.81 |
| Employee borrowings | 644,054.48 | 1,227,887.14 |
| Related party current account | 10,000.00 | 10,000.00 |
| Project construction materials payment advanced | 712,125.00 | |
| Total | 28,120,747.46 | 30,618,625.89 |

(5) Top 5 other receivables

| Name of entity | Nature | Book balance | Aging | Percentage in the balance of other receivables (%) | Bad-debt provision |
|---|-------------------|----------------------|-----------------------------|--|--------------------|
| Labour Security Supervision Authority of Nanbu County (南部縣勞動保障監察大隊) | Security deposits | 5,100,000.00 | 1-2 years | 18.14 | 255,000.00 |
| Shache County Water Conservancy Bureau* (莎車縣水利局) | Security deposits | 2,247,674.93 | Within 1 year, 1-2 years | 7.99 | 109,983.75 |
| Jincang Water Investment Company Limited | Security deposits | 1,458,000.00 | 3-4 years | 5.18 | 364,500.00 |
| Yengisar Water Resources Bureau Water Pipe Terminal* (英吉沙縣水利局水管站) | Security deposits | 1,265,678.24 | 2-3 years | 4.50 | 126,567.82 |
| Yutian Water Pipe Terminal* (于田縣水管總站) | Security deposits | 1,230,269.17 | Within 1 year | 4.37 | 12,302.69 |
| Sub-total | | 11,301,622.34 | | 40.19 | 868,354.26 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

6. Inventories

(1) Breakdown

| Item | Closing balance | | | Closing balance of the previous year | | |
|--|-----------------------|--------------------------|-----------------------|--------------------------------------|--------------------------|-----------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Raw materials | 172,150,613.64 | 9,742,191.75 | 162,408,421.89 | 174,090,087.56 | 8,204,109.42 | 165,885,978.14 |
| Work-in-progress | 4,634,229.42 | | 4,634,229.42 | 12,805,829.52 | | 12,805,829.52 |
| Finished goods | 168,442,205.00 | 29,481,423.72 | 138,960,781.28 | 172,557,909.12 | 12,714,192.99 | 159,843,716.13 |
| Materials under subcontract processing | 3,527,425.29 | | 3,527,425.29 | 7,724,886.85 | | 7,724,886.85 |
| Other materials turnover | | | | 48,055.78 | | 48,055.78 |
| contract performance costs | 53,124,108.20 | | 53,124,108.20 | 45,460,673.59 | | 45,460,673.59 |
| Total | 401,878,581.55 | 39,223,615.47 | 362,654,966.08 | 412,687,442.42 | 20,918,302.41 | 391,769,140.01 |

(2) Provision for impairment of inventories and provision for impairment of contract performance costs

1) Breakdown

| Item | Opening balance | Increase during the period | | Decrease during the period | | Closing balance |
|----------------|----------------------|----------------------------|--------|----------------------------|--------|----------------------|
| | | Provision | Others | Write-back or write-off | Others | |
| Raw materials | 8,204,109.42 | 4,257,123.52 | | 2,719,041.19 | | 9,742,191.75 |
| Finished goods | 12,714,192.99 | 17,772,470.06 | | 1,005,239.33 | | 29,481,423.72 |
| Total | 20,918,302.41 | 22,029,593.58 | | 3,724,280.52 | | 39,223,615.47 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

6. Inventories *(continued)*

(2) *Provision for impairment of inventories and provision for impairment of contract performance costs (continued)*

- 2) Information on the specific basis for determination of the net realizable value, reasons for write-back or write-off provision for impairment of inventories during the period

| Item | Specific basis for determination of the net realizable value | Reasons for write-back provision for impairment of inventories during the period |
|----------------|---|---|
| Raw materials | net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies | Production use or sale |
| Finished goods | net realizable value is determined as the amount of the estimated selling price of inventory goods less the estimated selling costs and relevant taxes and levies | Production use or sale |

Provision for impairment is made for drip tapes finished goods related to recycled raw materials (recycled grains) given that their net realizable value is lower than the cost due to the lower sale price because of the product technology update and intense market competition.

Provision for impairment is made for drip irrigation tape and PE water hoses and other finished goods given that they had not been sold for a long period of time and their net realizable value is lower than the costs because of the product technology update.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

6. Inventories *(continued)*

(3) Contract performance costs

| Item | Opening balance | Increase during the period | Amortized during the period | Provision for | Closing balance |
|----------------------|-----------------|----------------------------|-----------------------------|------------------------------|----------------------|
| | | | | impairment during the period | |
| Project construction | 45,460,673.59 | 179,480,093.69 | 171,816,659.08 | | 53,124,108.20 |
| Sub-total | 45,460,673.59 | 179,480,093.69 | 171,816,659.08 | | 53,124,108.20 |

7. Others current assets

| Item | Closing balance | | | Closing balance of the previous year | | |
|--------------------------------|-----------------|--------------------------|-----------------|--------------------------------------|--------------------------|-----------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Pending deduct VAT on purchase | 2,962,425.46 | | 2,962,425.46 | 6,047,789.76 | | 6,047,789.76 |
| Enterprises income tax prepaid | 1,236,002.87 | | 1,236,002.87 | 869,778.84 | | 869,778.84 |
| Other prepaid tax | 123,451.89 | | 123,451.89 | 1,613.04 | | 1,613.04 |
| Total | 4,321,880.22 | | 4,321,880.22 | 6,919,181.64 | | 6,919,181.64 |

8. Long-term equity investments

(1) Breakdown by category

| Item | Closing balance | | | Closing balance of the previous year | | |
|--------------------------|-----------------|--------------------------|-----------------|--------------------------------------|--------------------------|-----------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Investment in associates | 1,954,210.08 | | 1,954,210.08 | 2,599,070.91 | | 2,599,070.91 |
| Total | 1,954,210.08 | | 1,954,210.08 | 2,599,070.91 | | 2,599,070.91 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

8. Long-term equity investments (continued)

(2) Breakdown

| Investee | Opening balance | Increase | Increase or decrease during the period | | Adjustment of other consolidated return |
|--|--------------------|----------|--|---|---|
| | | | Decrease | Investment profit and loss recognized with the equity method | |
| Associates | | | | | |
| Jianshui Runnong Water Supply Co., Ltd. | 2,599,070.91 | | | -644,860.83 | |
| Total | 2,599,070.91 | | | -644,860.83 | |

(continued from the previous table)

| Investee | Other changes in equity | Increase or decrease in during the period | | | Closing balance | Closing balance of provision for impairment |
|--|----------------------------|---|-----------------------------|--------|--------------------|--|
| | | Cash dividends or profit distribution declared | Provision for impairment | Others | | |
| Associates | | | | | | |
| Jianshui Runnong Water Supply Co., Ltd. | | | | | 1,954,210.08 | |
| Total | | | | | 1,954,210.08 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

9. Fixed assets

(1) Breakdown

| Item | Buildings and structures | Machinery and equipment | Motor vehicles | Office and others equipment | Total |
|--|--------------------------|-------------------------|----------------|-----------------------------|----------------|
| Initial carrying amount | | | | | |
| Opening balance | 126,645,412.95 | 170,593,681.11 | 4,687,539.42 | 12,869,586.40 | 314,796,219.88 |
| Increase during the period | 204,903.44 | 2,856,761.27 | 385,877.52 | 370,469.86 | 3,818,012.09 |
| 1) Additions | 204,903.44 | 2,381,097.55 | 259,277.52 | 333,137.66 | 3,178,416.17 |
| 2) Transferred from construction-in-progress | | 475,663.72 | | | 475,663.72 |
| 3) Business combination | | | 126,600.00 | 37,332.20 | 163,932.20 |
| Decrease during the period | | 7,341,867.75 | 331,447.63 | 332,711.00 | 8,006,026.38 |
| 1) Disposal or retirement | | 7,341,867.75 | 331,447.63 | 332,711.00 | 8,006,026.38 |
| Closing balance | 126,850,316.39 | 166,108,574.63 | 4,741,969.31 | 12,907,345.26 | 310,608,205.59 |
| Accumulated depreciation | | | | | |
| Opening balance | 39,947,363.40 | 115,435,909.14 | 2,658,914.32 | 8,902,391.33 | 166,944,578.19 |
| Increase during the period | 4,158,566.97 | 8,445,326.68 | 465,590.65 | 966,456.59 | 14,035,940.89 |
| 1) Provision | 4,158,566.97 | 8,445,326.68 | 424,656.61 | 941,733.59 | 13,970,283.85 |
| 2) Business combination | | | 40,934.04 | 24,723.00 | 65,657.04 |
| Decrease during the period | | 5,609,853.44 | 258,954.05 | 322,610.58 | 6,191,418.07 |
| 1) Disposal or retirement | | 5,609,853.44 | 258,954.05 | 322,610.58 | 6,191,418.07 |
| Closing balance | 44,105,930.37 | 118,271,382.38 | 2,865,550.92 | 9,546,237.34 | 174,789,101.01 |
| Provision for impairment | | | | | |
| Opening balance | 801,472.68 | 1,363,570.79 | 3,900.00 | 142,958.20 | 2,311,901.67 |
| Increase during the period | 2,299,059.21 | 9,093,836.76 | | 35,625.91 | 11,428,521.88 |
| 1) Provision | 2,299,059.21 | 9,093,836.76 | | 35,625.91 | 11,428,521.88 |
| Decrease during the period | | 69,436.15 | | 1,133.88 | 70,570.03 |
| 1) Disposal or retirement | | 69,436.15 | | 1,133.88 | 70,570.03 |
| Closing balance | 3,100,531.89 | 10,387,971.40 | 3,900.00 | 177,450.23 | 13,669,853.52 |
| Carrying amount | | | | | |
| Carrying amount at the end of the period | 79,643,854.13 | 37,449,220.85 | 1,872,518.39 | 3,183,657.69 | 122,149,251.06 |
| Carrying amount at the beginning of the period | 85,896,576.87 | 53,794,201.18 | 2,024,725.10 | 3,824,236.87 | 145,539,740.02 |

Note: Provision for impairment of fixed assets with indications of impairment due to change in business model for drip irrigation tapes and drip irrigation accessories

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

9. Fixed assets *(continued)*

(2) Temporarily idle fixed assets

| Item | Original carrying amount | Accumulated depreciation | Provision for impairment | Carrying amount | Remark |
|--------------------------------|--------------------------------|-----------------------------|-----------------------------|--------------------|--------|
| Buildings and structures | 7,115,183.69 | 4,417,819.40 | 2,355,406.20 | 341,958.09 | |
| Machinery and equipment | 70,402,979.94 | 58,471,067.34 | 9,808,338.50 | 2,123,574.10 | |
| Motor vehicles | 351,717.05 | 334,704.36 | 15,363.19 | 1,649.50 | |
| Office and others equipment | 3,364,574.18 | 3,147,548.58 | 64,728.61 | 152,296.99 | |
| Sub-total | 81,234,454.86 | 66,371,139.68 | 12,243,836.50 | 2,619,478.68 | |

(3) Operating leased fixed assets

| Item | Carrying amount at the end of the period |
|-----------------------------|---|
| Buildings and structures | 19,344,263.99 |
| Machinery and equipment | 337,815.41 |
| Office and others equipment | 232,510.75 |
| Sub-total | 19,914,590.15 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

9. Fixed assets *(continued)*

(4) Information on fixed assets in lack of title certificates

| Item | Carrying amount | Reason for not obtaining title certificate yet |
|--|-----------------|--|
| Certain buildings and structures of the Company | 21,129,095.12 | In the process of obtaining title certificate (Note) |
| Certain buildings and structures of Tiancheng Water Saving | 17,011,695.82 | In the process of obtaining title certificate |
| Sub-total | 38,140,790.94 | |

Note: The titles of the building and land attached to the buildings and structures with a carrying amount of RMB9,562,113.24 at the end of the period belong to Xinjiang Tianye Company Limited, negotiations of which are currently underway to obtain the title certificates

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

10. Construction-in-progress

(1) Breakdown

| Item | Closing balance | | | Closing balance of the previous year | | |
|--|---------------------|--------------------------|---------------------|--------------------------------------|--------------------------|---------------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Modern agricultural science and technology demonstration base project | 2,507,698.96 | | 2,507,698.96 | 983,972.34 | | 983,972.34 |
| Baolongshan production and construction base | | | | 556,358.04 | | 556,358.04 |
| Transformation of quality traceability information management system for drip irrigation tape | | | | 450,442.48 | | 450,442.48 |
| EAS Supply Chain Project | | | | 232,090.87 | | 232,090.87 |
| Office renovation project of Valmont | | | | 205,201.83 | | 205,201.83 |
| Management Center Construction Project for Nanbu County Poverty Alleviation Demonstration Base | 1,476,989.99 | | 1,476,989.99 | | | |
| Development and Application of High-Performance Pressure Compensation Irrigators | 781,501.16 | | 781,501.16 | | | |
| Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines | 681,415.88 | | 681,415.88 | | | |
| Elevator Technical Transformation Project | 167,001.43 | | 167,001.43 | | | |
| Miscellaneous | | | | 95,764.40 | | 95,764.40 |
| Total | 5,614,607.42 | | 5,614,607.42 | 2,523,829.96 | | 2,523,829.96 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

10. Construction-in-progress (continued)

(2) Changes in key construction-in-progress projects during the period

| Name of works | Budget | Opening balance | Increase during the period | Amount carried | Decrease in others | Closing balance |
|--|-----------------------|-----------------|----------------------------|-------------------------|--------------------|-----------------|
| | (RMB in ten thousand) | | | forward to fixed assets | | |
| Modern agricultural science and technology demonstration base project | 300.00 | 983,972.34 | 1,523,726.62 | | | 2,507,698.96 |
| Baolongshan production and construction base | 907.07 | 556,358.04 | | | 556,358.04 | |
| Transformation of quality traceability information management system for drip irrigation tape | 96.50 | 450,442.48 | | 450,442.48 | | |
| EAS Supply Chain Project | 35.00 | 232,090.87 | | | 232,090.87 | |
| Office renovation project of Valmont | 40.00 | 205,201.83 | 4,334.82 | | 209,536.65 | |
| Management Center Construction Project for Nanbu County Poverty Alleviation Demonstration Base | 200.00 | | 1,476,989.99 | | | 1,476,989.99 |
| Development and Application of High-Performance Pressure Compensation Irrigators | 100.00 | | 781,501.16 | | | 781,501.16 |
| Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines | 900.00 | | 681,415.88 | | | 681,415.88 |
| Elevator Technical Transformation Project | 30.00 | | 167,001.43 | | | 167,001.43 |
| Miscellaneous | 10.00 | 95,764.40 | | 25,221.24 | 70,543.16 | |
| Sub-total | | 2,523,829.96 | 4,634,969.90 | 475,663.72 | 1,068,528.72 | 5,614,607.42 |

(continued from the previous table)

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

10. Construction-in-progress *(continued)*

(2) Changes in key construction-in-progress projects during the period *(continued)*

| Name of works | Percentage of | Project | Accumulated | Capitalized | Rate of interest | Source of |
|--|---------------|--------------|-------------|---------------|------------------|----------------|
| | accumulated | | | | capitalization | |
| | investment to | progress (%) | capitalized | interests for | for the period | capital |
| | in project | | interests | the period | (%) | |
| | budget (%) | | | | | |
| Modern agricultural science and technology demonstration base project | 83.59 | 83.59 | | | | Self-financing |
| Baolongshan production and construction base | 6.13 | 100.00 | | | | Self-financing |
| Transformation of quality traceability information management system for drip irrigation tape | 46.68 | 100.00 | | | | Self-financing |
| EAS Supply Chain Project | 66.31 | 100.00 | | | | Self-financing |
| Office renovation project of Valmont | 52.38 | 100.00 | | | | Self-financing |
| Management Center Construction Project for Nanbu County Poverty Alleviation Demonstration Base | 73.85 | 73.85 | | | | Self-financing |
| Development and Application of High-Performance Pressure Compensation Irrigators | 78.15 | 78.15 | | | | Self-financing |
| Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines | 7.57 | 7.57 | | | | Self-financing |
| Elevator Technical Transformation Project | 55.67 | 55.67 | | | | Self-financing |
| Miscellaneous | 95.76 | 100.00 | | | | Self-financing |
| Sub-total | | | | | | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

11. Productive biological assets

| Item | Crop farming Tangerines | Total |
|--|----------------------------|---------------|
| Initial carrying amount | | |
| Opening balance | 20,613,190.14 | 20,613,190.14 |
| Increase during the period | 8,788,464.50 | 8,788,464.50 |
| 1) Additions | 8,788,464.50 | 8,788,464.50 |
| Decrease during the period | | |
| 1) Disposal | | |
| Closing balance | 29,401,654.64 | 29,401,654.64 |
| Accumulated depreciation | | |
| Opening balance | | |
| Increase during the period | 299,410.27 | 299,410.27 |
| 1) Provision | 299,410.27 | 299,410.27 |
| Decrease during the period | | |
| 1) Disposal | | |
| Closing balance | 299,410.27 | 299,410.27 |
| 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 | 29,102,244.37 | 29,102,244.37 |
| Carrying amount at the beginning of the period | 20,613,190.14 | 20,613,190.14 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

12. Right-of-use assets

| Item | Buildings and structures | Land use rights | Machinery and equipment | Transportation tools | Total |
|---|-----------------------------|--------------------|----------------------------|-------------------------|---------------|
| Initial carrying amount | | | | | |
| Opening balance | | | | | |
| Increase during the period | 9,637,690.19 | 40,522,270.45 | 3,918,032.34 | 169,375.30 | 54,247,368.28 |
| 1) Lease-in | 9,637,690.19 | 40,522,270.45 | 3,918,032.34 | 169,375.30 | 54,247,368.28 |
| Decrease during the period | | | | | |
| 1) Disposal | | | | | |
| Closing balance | 9,637,690.19 | 40,522,270.45 | 3,918,032.34 | 169,375.30 | 54,247,368.28 |
| Accumulated depreciation | | | | | |
| Opening balance | | | | | |
| Increase during the period | 3,236,457.86 | 2,147,885.56 | 1,424,739.04 | 41,199.39 | 6,850,281.85 |
| 1) Provision | 3,236,457.86 | 2,147,885.56 | 1,424,739.04 | 41,199.39 | 6,850,281.85 |
| Decrease during the period | | | | | |
| 1) Disposal | | | | | |
| Closing balance | 3,236,457.86 | 2,147,885.56 | 1,424,739.04 | 41,199.39 | 6,850,281.85 |
| 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 | 6,401,232.33 | 38,374,384.89 | 2,493,293.30 | 128,175.91 | 47,397,086.43 |
| Carrying amount at the beginning of the period | | | | | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

13. Intangible assets

(1) Breakdown

| Item | Land use rights | Patent | ERP software | Non-patent technology | Total |
|--|-----------------|--------------|--------------|-----------------------|---------------|
| Initial carrying amount | | | | | |
| Opening balance | 17,873,559.51 | 2,057,542.58 | 33,605.63 | 2,018,300.00 | 21,983,007.72 |
| Increase during the period | | 5,748,048.64 | | | 5,748,048.64 |
| 1) In-house research and development | | 5,748,048.64 | | | 5,748,048.64 |
| Decrease during the period | | 1,198,584.00 | | | 1,198,584.00 |
| 1) Disposal | | 1,198,584.00 | | | 1,198,584.00 |
| Closing balance | 17,873,559.51 | 6,607,007.22 | 33,605.63 | 2,018,300.00 | 26,532,472.36 |
| Accumulated amortization | | | | | |
| Opening balance | 3,927,838.33 | 1,531,959.72 | 25,485.95 | 1,110,064.92 | 6,595,348.92 |
| Increase during the period | 482,773.08 | 1,243,326.73 | 5,128.20 | 403,659.96 | 2,134,887.97 |
| 1) Provision | 482,773.08 | 1,243,326.73 | 5,128.20 | 403,659.96 | 2,134,887.97 |
| Decrease during the period | | 1,178,607.60 | | | 1,178,607.60 |
| 1) Disposal | | 1,178,607.60 | | | 1,178,607.60 |
| Closing balance | 4,410,611.41 | 1,596,678.85 | 30,614.15 | 1,513,724.88 | 7,551,629.29 |
| 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 | 13,462,948.10 | 5,010,328.37 | 2,991.48 | 504,575.12 | 18,980,843.07 |
| Carrying amount at the beginning of the period | 13,945,721.18 | 525,582.86 | 8,119.68 | 908,235.08 | 15,387,658.80 |

At the end of the period, the intangible assets formed through in-house research and development of the Company accounted for 26.40% of the balance of intangible assets.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

13. Intangible assets *(continued)*

(2) *Analysis on carrying amount of land use rights*

| Item | Closing balance | Closing balance of the previous year |
|------------------------------|--------------------|--|
| Beyond Hong Kong | 13,462,948.10 | 13,945,721.18 |
| Including: Medium-term lease | 13,462,948.10 | 13,945,721.18 |
| Sub-total | 13,462,948.10 | 13,945,721.18 |

(3) *Information on land use rights in lack of title certificates*

| Item | Carrying amount | Reason for not obtaining title certificate yet |
|---|--------------------|--|
| Land use rights of Tiancheng Water Saving | 2,014,210.65 | In the process of obtaining title certificate |
| Sub-total | 2,014,210.65 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

14. Development expenses

(1) Breakdown

| Item | Opening balance | Increase during the period | | Decrease during the period | | Closing balance |
|--|--------------------|-------------------------------------|--------|---------------------------------------|---|--------------------|
| | | Internal development expenses | Others | Recognized as intangible assets | Transferred to profit and loss for the period | |
| Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration | 5,038,104.21 | 284,943.60 | | 5,323,047.81 | | |
| Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines | 2,042,405.31 | 5,002,448.83 | | | | 7,044,854.14 |
| Development and application of whole plastic toilets in arid and cold areas | 424,955.02 | 45.81 | | 425,000.83 | | |
| Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration | 638,834.09 | 788,437.03 | | | | 1,427,271.12 |
| Total | 8,144,298.63 | 6,075,875.27 | | 5,748,048.64 | | 8,472,125.26 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

14. Development expenses (continued)

(2) Other information

The Company takes bench-scale testing as the basis for dividing the research stage and development stage and the completion of bench-scale testing as the time point at which the capitalization begins. The capitalization is based specifically on the inflow of economic benefits to the Company from new products developed by the research and development project.

15. Long-term deferred expenses

| Item | Opening balance | Increase during the period | Amortized during the period | Decrease in others | Closing balance |
|------------------------------|-----------------|----------------------------|-----------------------------|--------------------|---------------------|
| Repair and maintenance works | 6,875,682.32 | 2,353,184.43 | 2,097,612.89 | | 7,131,253.86 |
| Total | 6,875,682.32 | 2,353,184.43 | 2,097,612.89 | | 7,131,253.86 |

16. Deferred income tax assets and deferred income tax liabilities

(1) Deferred income tax assets un-eliminated

| Item | Closing balance | | Closing balance of the previous year | |
|--------------------------------|----------------------------------|----------------------------|--------------------------------------|----------------------------|
| | Deductible temporary differences | Deferred income tax assets | Deductible temporary differences | Deferred income tax assets |
| Provision for asset impairment | 21,661,937.83 | 2,395,956.11 | 16,638,259.36 | 2,668,991.02 |
| Deductible losses | 4,209,423.58 | 210,471.18 | 4,086,753.64 | 817,350.73 |
| Total | 25,871,361.41 | 2,606,427.29 | 20,725,013.00 | 3,486,341.75 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

16. Deferred income tax assets and deferred income tax liabilities *(continued)*

(2) Breakdown of unrecognized deferred income tax assets

| Item | Closing balance | Closing balance of the previous year |
|----------------------------------|--------------------|--|
| Deductible temporary differences | 89,902,243.49 | 50,226,849.16 |
| Deductible losses | 77,279,444.45 | 72,020,998.08 |
| Sub-total | 167,181,687.94 | 122,247,847.24 |

(3) Deductible losses that have not recognized for deferred income tax assets will expire in the years as set out below

| Year | Closing balance | Closing balance of the previous year | Remark |
|-----------|--------------------|--|--------|
| 2021 | | 21,774,924.29 | |
| 2022 | 1,744,744.84 | 1,735,217.55 | |
| 2023 | 27,625,709.64 | 27,625,709.64 | |
| 2024 | 14,787,688.92 | 14,842,873.53 | |
| 2025 | 5,211,445.48 | 6,042,273.07 | |
| 2026 | 27,909,855.57 | | |
| Sub-total | 77,279,444.45 | 72,020,998.08 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

17. Other non-current assets

| Item | Closing balance | | | Closing balance of the previous year | | |
|---|-----------------|--------------------------|-----------------|--------------------------------------|--------------------------|-----------------|
| | Book balance | Provision for impairment | Carrying amount | Book balance | Provision for impairment | Carrying amount |
| Prepayment for the purchase of long-term assets | 152,600.00 | | 152,600.00 | 118,775.00 | | 118,775.00 |
| Total | 152,600.00 | | 152,600.00 | 118,775.00 | | 118,775.00 |

18. Short-term borrowings

| Item | Closing balance | Closing balance of the previous year |
|----------------------|-----------------|--------------------------------------|
| Guarantee borrowings | 33,038,820.84 | 50,054,861.11 |
| Credit borrowings | 10,379,279.70 | 3,003,708.33 |
| Total | 43,418,100.54 | 53,058,569.44 |

19. Trade payables

(1) Breakdown

| Item | Closing balance | Closing balance of the previous year |
|-----------------------------|-----------------|--------------------------------------|
| Sale of goods | 190,642,882.22 | 182,244,570.47 |
| Project and equipment Funds | 41,369,431.37 | 42,054,808.26 |
| Total | 232,012,313.59 | 224,299,378.73 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

19. Trade payables *(continued)*

(2) *Aging analysis*

| Aging | Closing balance |
|---------------|------------------------|
| Within 1 year | 165,309,722.77 |
| 1-2 years | 32,120,579.06 |
| 2-3 years | 6,205,189.72 |
| Over 3 years | 28,376,822.04 |
| Total | 232,012,313.59 |

20. Contract liabilities

| Item | Closing balance | Closing balance of the previous year |
|---------------------------------------|------------------------|--------------------------------------|
| Receipts in advance for sale of goods | 44,788,231.80 | 36,102,357.13 |
| Project funds in advance | 3,353,550.10 | 914,103.20 |
| Total | 48,141,781.90 | 37,016,460.33 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

21. Employee remuneration payables

(1) Breakdown

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-----------------------------------|------------------------|-----------------------------------|-----------------------------------|------------------------|
| Short-term remuneration | 7,871,946.75 | 54,895,950.22 | 55,309,974.94 | 7,457,922.03 |
| Post-employment benefits | | | | |
| — the defined contribution scheme | 504,419.91 | 8,494,058.75 | 8,666,203.66 | 332,275.00 |
| Termination benefits | | 193,503.05 | 193,503.05 | |
| Total | 8,376,366.66 | 63,583,512.02 | 64,169,681.65 | 7,790,197.03 |

(2) Breakdown of short-term remuneration

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|--|------------------------|-----------------------------------|-----------------------------------|------------------------|
| Salary, bonus, allowance and subsidy | 2,691,014.39 | 43,327,230.41 | 42,988,405.84 | 3,029,838.96 |
| Employee benefits | 2,661.60 | 2,955,307.22 | 2,932,668.82 | 25,300.00 |
| Social security insurance | 106,476.47 | 3,843,714.89 | 3,797,967.09 | 152,224.27 |
| Including: Medical insurance contributions | 103,684.03 | 3,670,179.77 | 3,621,639.53 | 152,224.27 |
| Work injury insurance contributions | 359.58 | 168,333.00 | 168,692.58 | |
| Maternity insurance contributions | 2,432.86 | 5,202.12 | 7,634.98 | |
| Housing provident fund | 85,025.00 | 3,952,059.21 | 3,999,243.21 | 37,841.00 |
| Union and education funds | 4,986,769.29 | 809,638.49 | 1,583,689.98 | 4,212,717.80 |
| Chairman's incentive funds | | 8,000.00 | 8,000.00 | |
| Sub-total | 7,871,946.75 | 54,895,950.22 | 55,309,974.94 | 7,457,922.03 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

21. Employee remuneration payables *(continued)*

(3) Breakdown of defined contribution schemes

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|---|-----------------|----------------------------|----------------------------|-------------------|
| Basic endowment insurance contributions | 37,661.72 | 5,995,864.79 | 6,033,526.51 | |
| Unemployment insurance contributions | 1,136.48 | 184,478.61 | 185,615.09 | |
| Enterprise annuity | 465,621.71 | 2,313,715.35 | 2,447,062.06 | 332,275.00 |
| Sub-total | 504,419.91 | 8,494,058.75 | 8,666,203.66 | 332,275.00 |

In accordance with the Labour Law of the People's Republic of China and the provisions under relevant laws and regulations, the Company and its subsidiaries contributed basic endowment insurance premium for their employees, and until reaching the retirement age prescribed by the government or quitting from their job position for any other reason, they will be paid old-age pension by the social insurance handling agency. The Company and its subsidiaries will not assume any liabilities for any other employee retirement benefits.

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 or otherwise become unemployed.

According to the "III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES — (XX) Employee Remuneration — 3. Accounting treatment for post-employment benefits" in the annual report, post-employment benefits are classified into a defined contribution scheme and a defined benefit scheme. According to the paragraph 26(2) of Appendix 16 of the Listing Rules, where the Company only has contribution schemes, which are mainly comprised of endowment insurance contributions, unemployment insurance contributions and enterprise annuity, the Company is not permitted to utilize the endowment insurance contributions and enterprise annuity to such an extent that the employees of the Company collect the endowment insurance contributions and enterprise annuity they contribute at the retirement age as prescribed by the government. At the same time, the Company does not apply a defined benefit plan (i.e. defined benefit plan).

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

22. Tax and levy payables

| Item | Closing balance | Closing balance of the previous year |
|---------------------------------------|----------------------------|--|
| VAT | 2,050,265.27 | 680,163.97 |
| Individual income tax withheld | 212,366.46 | 160,726.48 |
| EIT | 132,303.07 | 1,033,093.06 |
| Stamp duty | 80,666.01 | 148,144.21 |
| City maintenance and construction tax | 174,458.62 | 44,007.35 |
| Education surcharge | 73,761.27 | 19,089.25 |
| Local education surcharge | 57,448.24 | 19,034.18 |
| Land use tax | | 36,000.00 |
| Environmental protection tax | 14,267.33 | 12,459.77 |
| Property tax | 35,872.16 | |
| Total | 2,831,408.43 | 2,152,718.27 |

23. Other payables

| Item | Closing balance | Closing balance of the previous year |
|---------------------------------------|----------------------------|--|
| Current account | 14,316,036.27 | 3,822,542.38 |
| Fund of agent for charging and paying | 7,085,370.93 | 10,946,987.70 |
| Security deposits | 5,612,213.52 | 4,370,540.09 |
| Employee borrowings | 420,382.66 | 900,689.24 |
| Withholding charges | 6,588,838.49 | 5,945,457.73 |
| Others | 895,556.80 | 217,249.60 |
| Total | 34,918,398.67 | 26,203,466.74 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

24. Non-current liabilities due within one year

| Item | Closing balance | Closing balance of the previous year |
|---------------------------------------|--------------------|--|
| Lease liabilities due within one year | 5,846,769.64 | |
| Total | 5,846,769.64 | |

25. Other current liabilities

| Item | Closing balance | Closing balance of the previous year |
|------------------------------|--------------------|--|
| Output tax to be transferred | 3,919,171.61 | 3,096,841.42 |
| Total | 3,919,171.61 | 3,096,841.42 |

26. Lease liabilities

| Item | Closing balance | Closing balance of the previous year |
|---------------------------------------|--------------------|--|
| Lease payments that are not paid | 59,724,080.87 | |
| Less: unrecognized financing expenses | 16,108,124.41 | |
| Total | 43,615,956.46 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

27. Deferred income

(1) Breakdown

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance | Reason |
|----------------------|-----------------|----------------------------|----------------------------|-----------------|--------------------------|
| Government grants | | | | | Funded by the government |
| – relating to assets | 7,078,621.82 | 1,680,000.00 | 1,269,054.05 | 7,489,567.77 | |
| Government grants | | | | | Funded by the government |
| – relating to income | 3,723,792.56 | 4,956,510.21 | 2,779,385.68 | 5,900,917.09 | |
| Total | 10,802,414.38 | 6,636,510.21 | 4,048,439.73 | 13,390,484.86 | |

(2) Breakdown of government grants

| Item | Opening balance | Amount of new grants for the period | Profit or loss for the current period or amount for offsetting the related cost (Note) | Closing balance | Relating to assets/relating to income |
|--|-----------------|-------------------------------------|--|-----------------|---------------------------------------|
| Water saving irrigation technology products industrialization promotion project | 3,728,621.82 | | 1,200,000.00 | 2,528,621.82 | Relating to assets |
| Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines | 1,200,000.00 | 1,300,000.00 | | 2,500,000.00 | Relating to assets |
| Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration | 650,000.00 | 380,000.00 | 69,054.05 | 960,945.95 | Relating to assets |
| Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration | 1,500,000.00 | | | 1,500,000.00 | Relating to assets |
| Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products | | 1,480,000.00 | | 1,480,000.00 | Relating to income |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

27. Deferred income *(continued)*

(2) Breakdown of government grants *(continued)*

| Item | Opening balance | Amount of new grants for the period | Profit or loss for the current period or amount for offsetting the related cost (Note) | Closing balance | Relating to assets/ relating to income |
|---|--------------------|---|--|--------------------|---|
| Development and Application of High- Performance Pressure Compensation Irrigators | | 704,830.97 | 98,547.76 | 606,283.21 | Relating to income |
| Integration and Demonstration of Key Technologies for Agricultural Water Conservation and Efficiency Increase and the Construction and Application of Information Service Systems | | 603,000.00 | 1,228.00 | 601,772.00 | Relating to income |
| China-Ukraine training course on efficient water-saving agricultural irrigation technology | 524,815.28 | | | 524,815.28 | Relating to income |
| Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration | 835,188.72 | | 319,345.32 | 515,843.40 | Relating to income |
| Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration | | 140,000.00 | 122,342.34 | 17,657.66 | Relating to income |
| Key Research and Development Laboratory for Lvzhou Modern Agricultural Irrigation Systems and Products | 494,723.21 | | 7,888.44 | 486,834.77 | Relating to income |
| Technical Research and Development of Integrated Under-Membrane Drip Irrigation for Cotton in Uzbekistan and the Related Demonstration | 2,308.99 | 400,000.00 | 54,172.43 | 348,136.56 | Relating to income |
| Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative | 93,188.02 | 188,679.24 | 18,858.06 | 263,009.20 | Relating to income |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

27. Deferred income *(continued)*

(2) Breakdown of government grants (continued)

| Item | Opening balance | Amount of new grants for the period | Profit or loss for the current period or amount for offsetting the related cost (Note) | Closing balance | Relating to assets/ relating to income |
|---|--------------------|---|--|--------------------|---|
| XPCC Talent Development Project | 100,000.00 | 270,000.00 | 200,000.00 | 170,000.00 | Relating to income |
| Research and Demonstration of Modern Irrigation Areas and Smart Agriculture Technology System in Arid Regions | | 150,000.00 | 8,124.44 | 141,875.56 | Relating to income |
| Modern Water-saving Agricultural Science and Technology Demonstration Base | | 140,000.00 | 7,635.90 | 132,364.10 | Relating to income |
| Demonstration of intelligent drip irrigation and fertilization control system for cotton in Xinjiang | 431,233.34 | | 298,989.42 | 132,243.92 | Relating to income |
| Research and Integration of Efficient Water-saving Irrigation Technology Models for Different Crops | | 143,000.00 | 17,089.60 | 125,910.40 | Relating to income |
| XPCC Agricultural Breakthrough Project | 100,000.00 | | | 100,000.00 | Relating to income |
| Research and Development of Water-saving Equipment for Special Forestry and Fruit and Key Technology Integration and Demonstration Project for Efficient Utilization of Water and Fertilizer in South Xinjiang | | 240,000.00 | 146,500.90 | 93,499.10 | Relating to income |
| Development of Key Technologies and New Products for Water Discharge and Salt Control in Agricultural Farmland | 100,998.70 | | 69,811.10 | 31,187.60 | Relating to income |
| Research on the optimized model for the integrated water-and-fertilizer distribution of the farmland pipeline network for commercial crops and the related demonstration | 319,358.86 | | 295,821.84 | 23,537.02 | Relating to income |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

27. Deferred income (continued)

(2) Breakdown of government grants (continued)

| Item | Opening balance | Amount of new grants for the period | Profit or loss for the current period or amount for offsetting the related cost (Note) | Closing balance | Relating to assets/ relating to income |
|--|-----------------|-------------------------------------|--|-----------------|--|
| Improvement in fertilizer placement devices under the drip-irrigation system and optimization of headworks | 36,153.08 | | 30,205.77 | 5,947.31 | Relating to income |
| 2021 Project Fund for Science and Technology Talent of Xinjiang Tianye Agriculture Water Saving Agriculture Co., Ltd. (新疆天業農業節水農業有限公司) received from Science and Technology Bureau of the Third Division | | 100,000.00 | | 100,000.00 | Relating to income |
| The Startup Platform and Base Construction Plan under the Technological Innovation Environment and Capability Enhancement Program | 154,489.83 | | 154,489.83 | | Relating to income |
| Special Funds for Talent Pool Development in the Division and City | 60,000.00 | 144,000.00 | 204,000.00 | | Relating to income |
| Third batch of leading talents of technological innovation under the national "Ten Thousand People's Scheme" | 471,334.53 | | 471,334.53 | | Relating to income |
| Special Projects for the Development of Small and Medium-sized Enterprises | | 200,000.00 | 200,000.00 | | Relating to income |
| Construction Standards for Efficient Water-saving Irrigation Projects | | 5,000.00 | 5,000.00 | | Relating to income |
| 2021 Key Association Projects Funded by the Association for Science and Technology of the Division and City | | 5,000.00 | 5,000.00 | | Relating to income |
| 2021 Special Funds for Talent Pool Development in the Division and City | | 23,000.00 | 23,000.00 | | Relating to income |
| Special funds for cadres and talents assisting Xinjiang | | 20,000.00 | 20,000.00 | | Relating to income |
| Sub-total | 10,802,414.38 | 6,636,510.21 | 4,048,439.73 | 13,390,484.86 | |

Note: For details of government grants included in the profit or loss for the current period, please refer to explanation to note V(IV) 2 to the consolidated financial statements

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(I) Notes to items in the Consolidated Balance Sheet (continued)

28. Share capital

| Item | Opening balance | New shares issuance | Changes (decrease is denoted as "-") | | | Sub-total | Closing balance |
|-----------------------|-----------------|---------------------|--------------------------------------|-------------------------|--------|-----------|-----------------|
| | | | Bonus shares | Conversion from reserve | Others | | |
| Non-tradable shares | 317,121,560.00 | | | | | | 317,121,560.00 |
| Domestic shares held | | | | | | | |
| by legal persons | 317,121,560.00 | | | | | | 317,121,560.00 |
| Non-restricted shares | 202,400,000.00 | | | | | | 202,400,000.00 |
| H-shares | 202,400,000.00 | | | | | | 202,400,000.00 |
| Total | 519,521,560.00 | | | | | | 519,521,560.00 |

29. Capital reserve

(1) Breakdown

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|---|-----------------|----------------------------|----------------------------|-----------------|
| Capital premium (share capital premium) | 15,737,140.18 | 460,998.78 | | 16,198,138.96 |
| Other capital reserve | 10,000,000.00 | | | 10,000,000.00 |
| Total | 25,737,140.18 | 460,998.78 | | 26,198,138.96 |

(2) Other information

The change in the current period was due to the disposal of part of the equity interest in Tiancheng Water Saving, a subsidiary.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(I) Notes to items in the Consolidated Balance Sheet *(continued)*

30. Surplus reserves

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-------------------------------|-----------------|----------------------------|----------------------------|----------------------|
| Statutory surplus reserve | 29,390,808.07 | | | 29,390,808.07 |
| Discretionary surplus reserve | 5,333,289.20 | | | 5,333,289.20 |
| Total | 34,724,097.27 | | | 34,724,097.27 |

31. Undistributed profits

| Item | Current period | Corresponding period last year |
|--|-----------------------|--------------------------------|
| Opening balance of undistributed profits | -9,679,091.17 | -10,329,050.11 |
| Add: net profits attributable to owners of the Parent Company for the current period | -66,836,302.00 | 649,958.94 |
| Closing balance of undistributed profits | -76,515,393.17 | -9,679,091.17 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income

1. Operating income/operating cost

(1) Breakdown

| Item | Current period | | Corresponding period last year | |
|--|-------------------------|-------------------------|--------------------------------|--------------------|
| | Income | Cost | Income | Cost (restated) |
| Income from principal businesses | 1,061,427,902.55 | 1,000,920,173.70 | 674,510,139.61 | 587,464,528.34 |
| Income from other businesses | 50,190,126.11 | 41,445,058.10 | 32,047,968.05 | 31,335,298.64 |
| Total | 1,111,618,028.66 | 1,042,365,231.80 | 706,558,107.66 | 618,799,826.98 |
| Including: Revenue from contracts with customers | 1,108,916,915.77 | 1,040,802,918.33 | 705,171,593.53 | 618,603,793.67 |

(2) Breakdown of revenue from contracts with customers by major types

1) Breakdown of revenue by types of goods or services

| Item | Current period | | Corresponding period last year | |
|---|-------------------------|-------------------------|--------------------------------|--------------------|
| | Income | Cost | Income | Cost (restated) |
| Drip films, drip tape, and drip assembles | 50,938,339.73 | 43,480,716.88 | 168,462,106.95 | 150,017,032.40 |
| PVC pipes/PE pipes | 285,668,724.94 | 259,436,666.02 | 343,484,392.98 | 289,904,150.70 |
| Engineering income | 224,451,673.20 | 202,150,739.32 | 162,563,639.68 | 147,543,345.24 |
| Trading | 500,369,164.68 | 495,852,051.48 | | |
| Other income | 47,489,013.22 | 39,882,744.63 | 30,661,453.92 | 31,139,265.33 |
| Sub-total | 1,108,916,915.77 | 1,040,802,918.33 | 705,171,593.53 | 618,603,793.67 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

1. Operating income/operating cost *(continued)*

(2) Breakdown of revenue from contracts with customers by major types *(continued)*

2) Breakdown of revenue by operating regions

| Item | Current period | | Corresponding period last year | |
|-----------|------------------|------------------|--------------------------------|--------------------|
| | Income | Cost | Income | Cost (restated) |
| Domestic | 1,108,916,915.77 | 1,040,802,918.33 | 705,171,593.53 | 618,603,793.67 |
| Sub-total | 1,108,916,915.77 | 1,040,802,918.33 | 705,171,593.53 | 618,603,793.67 |

3) Breakdown of revenue by time of transfer of goods or services

| Item | Current period | Corresponding period last year |
|---------------------------------------|------------------|--------------------------------|
| Revenue recognised at a point of time | 884,465,242.57 | 542,607,953.85 |
| Revenue recognised over time | 224,451,673.20 | 162,563,639.68 |
| Sub-total | 1,108,916,915.77 | 705,171,593.53 |

(3) Revenue recognized in the current period which included in the carrying amount at the beginning of the period of contract liabilities is RMB24,004,494.52.

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Notes to items in the Consolidated Statement of Income** *(continued)***2. Taxes and surcharges**

| Item | Current period | Corresponding period last year |
|--|-----------------------|-----------------------------------|
| Land use tax | 1,376,643.80 | 1,462,985.76 |
| City maintenance and construction tax | 958,113.15 | 1,110,794.85 |
| Stamp duty tax | 689,810.24 | 481,875.11 |
| Property tax | 499,652.15 | 593,613.85 |
| Education surcharge | 447,736.68 | 576,582.10 |
| Local education surcharge | 311,317.70 | 385,038.80 |
| Vehicle and vessel use tax | 16,092.30 | 12,113.43 |
| Environmental protection tax | 741.95 | |
| Water conservancy development fund for other places | | 2,682.10 |
| Total | 4,300,107.97 | 4,625,686.00 |

3. Distribution costs

| Item | Current period | Corresponding period last year (restated) |
|--|-----------------------|---|
| Salaries benefits and social security contributions | 14,249,452.33 | 14,720,736.12 |
| Sale service fee | 7,203,019.84 | 4,836,292.81 |
| Tender fee | 1,212,944.29 | 578,952.90 |
| Depreciation charge | 810,478.41 | 819,340.02 |
| Lease expenses | 780,603.48 | 889,605.22 |
| Travel expenses | 748,564.95 | 1,041,530.49 |
| Materials consumption fees | 98,870.74 | 2,987,612.35 |
| Others | 1,612,643.77 | 2,402,276.04 |
| Total | 26,716,577.81 | 28,276,345.95 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

4. Administrative expenses

(1) Breakdown

| Item | Current period | Corresponding period last year |
|---------------------------------------|----------------------|--------------------------------|
| Salaries benefits | 24,889,391.75 | 22,973,922.97 |
| Depreciation and amortization charges | 3,560,795.66 | 4,514,782.08 |
| Service fees | 4,905,541.13 | 3,972,203.43 |
| Agency service fees | 4,461,362.22 | 3,687,747.91 |
| Losses from work suspension | 1,886,251.77 | 2,500,460.18 |
| Travel expenses | 1,248,609.92 | 1,200,677.70 |
| Lease fees | 1,431,395.30 | 717,204.67 |
| Car expenses | 323,703.76 | 349,195.01 |
| Water, electricity, and heating fees | 494,464.34 | 319,410.21 |
| Office costs | 757,744.02 | 293,999.72 |
| Others | 3,495,870.89 | 2,075,230.27 |
| Total | 47,455,130.76 | 42,604,834.15 |

(2) Included in the administrative expenses for the year was RMB0.75 million of auditor's remuneration (2020: RMB0.7 million).

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

5. Research and development expenses

| Item | Current period | Corresponding period last year |
|--------------------------------|----------------|--------------------------------|
| Employee remuneration | 2,410,076.97 | 1,755,554.83 |
| Materials | 2,167,210.52 | 5,226,863.18 |
| Labour service fees | 323,280.02 | 1,225,048.95 |
| Technological development fees | 1,044,961.47 | 428,219.61 |
| Travel expenses | 149,661.35 | 198,305.53 |
| Testing and examination fees | 319,948.96 | 45,913.55 |
| Other expenses | 1,292,814.33 | 956,728.07 |
| Total | 7,707,953.62 | 9,836,633.72 |

6. Finance costs

| Item | Current period | Corresponding period last year |
|--------------------------|----------------|--------------------------------|
| Interest expenses | 3,874,065.10 | 2,605,397.98 |
| Less: Interest income | 578,562.66 | 992,198.55 |
| Exchange gains or losses | 278.83 | 1,559.45 |
| Commission | 157,717.43 | 156,204.16 |
| Total | 3,453,498.70 | 1,770,963.04 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

7. Other gains

| Item | Current period | Corresponding period last year | Amount recognized in non-recurring profit or loss for the current period |
|---|---------------------|--------------------------------------|---|
| Government grants relating to assets (Note) | 1,269,054.05 | 1,200,000.00 | 1,269,054.05 |
| Government grants relating to income (Note) | 3,648,826.72 | 4,922,411.69 | 3,648,826.72 |
| Refund of handling fees for withholding individual income taxes | 16,461.33 | 22,780.00 | 16,461.33 |
| Total | 4,934,342.10 | 6,145,191.69 | 4,934,342.10 |

Note: Details of government grants included in other gains for the current period are set out in note V(IV) 2 of the financial statements

8. Investment income

| Item | Current period | Corresponding period last year |
|--|--------------------|-----------------------------------|
| Return on long-term equity investments accounted with the equity method | -644,860.83 | 13,484.77 |
| Income from futures transactions | | 663,921.66 |
| Gain from disposal of long-term equity investments | | 28,500.00 |
| Total | -644,860.83 | 705,906.43 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

9. Credit impairment loss

| Items | Current period | Corresponding period last year |
|---------------|----------------|--------------------------------|
| Bad debt loss | -14,361,537.20 | -4,255,589.12 |
| Total | -14,361,537.20 | -4,255,589.12 |

10. Asset impairment loss

| Items | Current period | Corresponding period last year |
|---------------------------------|----------------|--------------------------------|
| Inventory impairment loss | -22,029,593.58 | -3,869,949.98 |
| Impairment loss on fixed assets | -11,428,521.88 | -577,815.77 |
| Total | -33,458,115.46 | -4,447,765.75 |

11. Gains on disposal of assets

| Item | Current period | Corresponding period last year | Amount recognized in non-recurring profit or loss for the current period |
|---|----------------|--------------------------------|--|
| Gain from disposal of fixed assets | 419,719.05 | 1,142,158.10 | 419,719.05 |
| Gain from disposal of intangible assets | -19,976.40 | | -19,976.40 |
| Total | 399,742.65 | 1,142,158.10 | 399,742.65 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

12. Non-operating income

| Item | Current period | Corresponding period last year | Amount recognized in non-recurring profit or loss for the current period |
|------------------------------|----------------|--------------------------------------|---|
| Current accounts not payable | 881,189.58 | 1,349,112.20 | 881,189.58 |
| Fines and forfeitures income | 92,140.21 | 96,053.02 | 92,140.21 |
| Others | 39,117.76 | 213,758.14 | 39,117.76 |
| Total | 1,012,447.55 | 1,658,923.36 | 1,012,447.55 |

13. Non-operating expenses

| Item | Current period | Corresponding period last year | Amount recognized in non-recurring profit or loss for the current period |
|--------------------|----------------|--------------------------------------|---|
| Liquidated damages | 165,866.62 | 308,527.16 | 165,866.62 |
| Fines expenses | 26,382.15 | 30,900.95 | 26,382.15 |
| Others | 154,112.32 | 90,419.43 | 154,112.32 |
| Total | 346,361.09 | 429,847.54 | 346,361.09 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(II) Notes to items in the Consolidated Statement of Income *(continued)*

14. Income tax charges

(1) Breakdown

| Item | Current period | Corresponding period last year |
|-----------------------------|----------------|--------------------------------|
| Current income tax charges | 1,081,096.06 | 1,388,371.13 |
| Deferred income tax charges | 890,012.97 | -2,282,474.80 |
| Total | 1,971,109.03 | -894,103.67 |

(2) Reconciliation between accounting profits and income tax expenses

| Item | Current period | Corresponding period last year |
|---|----------------|--------------------------------|
| Total profits | -62,844,814.28 | 1,162,794.99 |
| Income tax charges at the tax rate of the parent | -9,426,722.14 | 174,419.24 |
| Effect of different tax rates adopted by subsidiaries | 1,675,981.10 | -194,454.53 |
| Effect of prior period income tax adjustment | -10,638.91 | -7,470.47 |
| Tax effect of costs, expenses and losses not deductible | 225,584.75 | 731,910.06 |
| Effect of deductible losses that have not recognized for deferred income tax assets during the prior period | -111,263.81 | -3,155,641.80 |
| Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax assets during the period | 10,083,306.40 | 2,626,682.22 |
| Additional deduction for qualified research and development expense | -465,138.36 | -1,069,548.39 |
| Income tax expenses | 1,971,109.03 | -894,103.67 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(III) Notes to items in the Consolidated Cash Flows Statement

1. Other cash received relating to operating activities

| Item | Current period | Corresponding period last year |
|--|----------------------|--------------------------------|
| Interest income | 578,562.66 | 992,198.55 |
| Deposits, current accounts and petty cash received | 8,583,906.32 | 45,165,373.91 |
| Government grants received | 7,405,951.25 | 9,344,169.82 |
| Other non-operating income received | 138,119.68 | 111,013.12 |
| Total | 16,706,539.91 | 55,612,755.40 |

2. Other cash paid relating to operating activities

| Item | Current period | Corresponding period last year |
|---|----------------------|--------------------------------|
| Cost of sales, administrative expenses paid, research and development costs and development expenditure | 28,484,465.68 | 48,990,876.82 |
| Financial handling charges paid | 157,717.43 | 156,204.16 |
| Security, deposit and current accounts paid | 6,430,645.96 | 63,703,826.90 |
| Non-operating expenses and rents paid | 26,382.15 | 405,472.61 |
| Total | 35,099,211.22 | 113,256,380.49 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(III) Notes to items in the Consolidated Cash Flows Statement *(continued)*

3. Other cash received relating to investing activities

| Item | Current period | Corresponding period last year |
|--|-----------------------|-----------------------------------|
| Net cash from the acquisition of subsidiary Hongrui Plastic | 5,716,558.17 | |
| Total | 5,716,558.17 | |

4. Other cash received relating to financing activities

| Item | Current period (restated) | Corresponding period last year |
|---|--------------------------------------|-----------------------------------|
| Disposal of minority interest in subsidiary Tiancheng Water Saving | 2,201,251.00 | |
| Total | 2,201,251.00 | |

5. Other cash paid relating to financing activities

| Item | Current period | Corresponding period last year |
|--------------------|-----------------------|-----------------------------------|
| Lease payment paid | 6,796,155.31 | |
| Total | 6,796,155.31 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(III) Notes to items in the Consolidated Cash Flows Statement *(continued)*

6. Supplemental information to Cash Flows Statement

(1) *Supplemental information to Cash Flows Statement*

| Supplemental information | Current period (restated) | Corresponding period last year |
|---|------------------------------|-----------------------------------|
| 1) Adjusting net profits to cash flow for operating activities: | | |
| Net profits | -64,815,923.31 | 2,056,898.66 |
| Add: provision for assets impairment | 47,819,652.66 | 8,703,354.87 |
| fixed asset depreciation, oil/gas asset depreciation and productive biological asset depreciation | 14,269,694.12 | 15,232,557.20 |
| depreciation of right-of-use assets | 6,850,281.85 | |
| amortization of intangible assets | 2,134,887.97 | 1,002,409.83 |
| amortization of long-term deferred expenses | 2,097,612.89 | 1,817,153.41 |
| loss on disposal of fixed, intangible and other long-term assets (gain is denoted as “-”) | -399,742.65 | -1,142,158.10 |
| loss on retirement of fixed assets (gain is denoted as “-”) | | |
| loss on changes in fair value (gain is denoted as “-”) | | |
| finance cost (gain is denoted as “-”) | 3,874,343.93 | 2,606,957.43 |
| investment loss (gain is denoted as “-”) | 644,860.83 | -705,906.43 |
| decrease in deferred income tax assets (increase is denoted as “-”) | 879,914.46 | -2,282,474.80 |
| increase in deferred income tax liabilities (decrease is denoted as “-”) | | |
| decrease in inventories (increase is denoted as “-”) | 7,084,580.35 | -27,157,881.63 |
| decrease in operating receivables (increase is denoted as “-”) | 21,640,221.54 | 2,209,977.13 |
| increase in operating payables (decrease is denoted as “-”) | 6,770,597.90 | 42,522,599.63 |
| others | | |
| net cash flow generated from operating activities | 48,850,982.54 | 44,863,487.20 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(III) Notes to items in the Consolidated Cash Flows Statement *(continued)*

6. Supplemental information to Cash Flows Statement *(continued)*

(1) Supplemental information to Cash Flows Statement *(continued)*

| Supplemental information | Current period | Corresponding period last year |
|---|----------------|--------------------------------|
| 2) Material investing and financing activities without cash payment or receipt: | | |
| Conversion of debt to capital | | |
| Convertible corporate bonds due within 1 year | | |
| Fixed assets under finance leases | | |
| 3) Net change in cash and cash equivalents: | | |
| Closing cash balance | 144,117,032.09 | 115,370,689.73 |
| Less: opening cash balance | 115,370,689.73 | 62,507,864.36 |
| Add: closing cash equivalents balance | | |
| Less: opening cash equivalents balance | | |
| Net increase in cash and cash equivalents | 28,746,342.36 | 52,862,825.37 |

(2) Net cash paid for acquisition of subsidiaries during the period

| Item | Current period |
|---|----------------|
| Cash or cash equivalents paid during the period from business combination during the period | 4,581,200.00 |
| Including: Hongrui Plastic | 4,581,200.00 |
| Less: cash and cash equivalents held by subsidiaries on the acquisition date | 10,297,758.17 |
| Including: Hongrui Plastic | 10,297,758.17 |
| Net cash paid for acquisition of subsidiaries | -5,716,558.17 |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(III) Notes to items in the Consolidated Cash Flows Statement *(continued)*

6. Supplemental information to Cash Flows Statement *(continued)*

(3) *Composition of cash and cash equivalents*

| Item | Closing balance | Closing balance of previous year |
|--|----------------------------|-------------------------------------|
| 1) Cash | 144,117,032.09 | 115,370,689.73 |
| Including: Cash on hand | | |
| Bank deposits readily available for payment | 144,102,125.18 | 115,355,782.82 |
| Other cash readily available for payment | 14,906.91 | 14,906.91 |
| Central bank deposits available for payment | | |
| Deposits in players in the same industry | | |
| Lending to players in the same industry | | |
| 2) Cash equivalents | | |
| Including: Bond investment due within 3 months | | |
| 3) Closing balance of cash and cash equivalents | 144,117,032.09 | 115,370,689.73 |
| Including: Restricted cash and cash equivalents of Parent Company or subsidiaries within the Group | | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(III) Notes to items in the Consolidated Cash Flows Statement *(continued)*

6. Supplemental information to Cash Flows Statement *(continued)*

(4) *Transfer amount endorsed by commercial bills without cash payment or receipt*

| Item | Current period | Previous period |
|---|----------------|-----------------|
| Transfer amounts endorsed by commercial bills | 23,276,952.21 | 12,564,000.00 |
| Including: Payment for goods | 23,276,952.21 | 12,564,000.00 |

(IV) Others

1. Assets with Ownership or Use Right restricted

| Item | Carrying amount at the end of the period | Reason for Restriction |
|-------|--|---------------------------|
| Cash | 4,210,796.85 | See V(I) 1(2) for details |
| Total | 4,210,796.85 | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(IV) Others (continued)

2. Government grants

(1) Breakdown

1) Government grants relating to assets

On a gross basis

| Item | Opening deferred income | New grants during the period | Amortization during the period | Amortization | | Description |
|--|-------------------------------|------------------------------------|--------------------------------------|-------------------------------|------------------------------------|-------------------------------|
| | | | | Closing deferred income | items for the current period | |
| Water saving irrigation technology products industrialization promotion project | 3,728,621.82 | | 1,200,000.00 | 2,528,621.82 | Other income | Shi Cai Jian [2010] No.89 |
| Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration | 1,500,000.00 | | | 1,500,000.00 | Other income | Shi Shi Ke Fa [2018] No.50 |
| Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines | 1,200,000.00 | 1,300,000.00 | | 2,500,000.00 | Other income | Bing Cai Jiao [2020] No.25 |
| Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration | 650,000.00 | 380,000.00 | 69,054.05 | 960,945.95 | Other income | Bing Cai Jiao [2020] No.25 |
| Sub-total | 7,078,621.82 | 1,680,000.00 | 1,269,054.05 | 7,489,567.77 | | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(IV) Others *(continued)*

2. Government grants *(continued)*

(1) Breakdown *(continued)*

- 2) Government grants relating to income applied in compensating related costs or losses in subsequent periods

| Item | Opening deferred income | New grants during the period | Carry forward for the current period | Closing deferred income | Carry forward items for the current period | Description |
|---|----------------------------|---------------------------------|---|----------------------------|--|-------------|
| Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products | | 1,480,000.00 | | 1,480,000.00 | Other income | |
| Development and Application of High-Performance Pressure Compensation Irrigators | | 704,830.97 | 98,547.76 | 606,283.21 | Other income | |
| Integration and Demonstration of Key Technologies for Agricultural Water Conservation and Efficiency Increase and the Construction and Application of Information Service Systems | | 603,000.00 | 1,228.00 | 601,772.00 | Other income | |
| China-Ukraine training course on efficient water-saving agricultural irrigation technology | 524,815.28 | | | 524,815.28 | Other income | |
| Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration | 835,188.72 | | 319,345.32 | 515,843.40 | Other income | |
| Key Research and Development Laboratory for Lvzhou Modern Agricultural Irrigation Systems and Products | 494,723.21 | | 7,888.44 | 486,834.77 | Other income | |
| Technical Research and Development of Integrated Under-Membrane Drip Irrigation for Cotton in Uzbekistan and the Related Demonstration | 2,308.99 | 400,000.00 | 54,172.43 | 348,136.56 | Other income | |
| Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative | 93,188.02 | 188,679.24 | 18,858.06 | 263,009.20 | Other income | |
| XPCC Talent Development Project | 100,000.00 | 270,000.00 | 200,000.00 | 170,000.00 | Other income | |
| Research and Demonstration of Modern Irrigation Areas and Smart Agriculture Technology System in Arid Regions | | 150,000.00 | 8,124.44 | 141,875.56 | Other income | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(IV) Others (continued)

2. Government grants (continued)

(1) Breakdown (continued)

- 2) Government grants relating to income applied in compensating related costs or losses in subsequent periods (continued)

| Item | Opening deferred income | New grants during the period | Carry forward for the current period | Closing deferred income | Carry forward | Description |
|--|-------------------------|------------------------------|--------------------------------------|-------------------------|------------------------------|-------------|
| | | | | | items for the current period | |
| Modern Water-saving Agricultural Science and Technology Demonstration Base | | 140,000.00 | 7,635.90 | 132,364.10 | Other income | |
| Demonstration of intelligent drip irrigation and fertilization control system for cotton in Xinjiang | 431,233.34 | | 298,989.42 | 132,243.92 | Other income | |
| Research and Integration of Efficient Water-saving Irrigation Technology Models for Different Crops | | 143,000.00 | 17,089.60 | 125,910.40 | Other income | |
| XPC Agricultural Breakthrough Project | 100,000.00 | | | 100,000.00 | Other income | |
| 2021 Project Fund for Science and Technology Talent of Xinjiang Tianye Agriculture Water Saving Agriculture Co., Ltd. (新疆天业农业节水农业有限公司) received from Science and Technology Bureau of the Third Division | | 100,000.00 | | 100,000.00 | Other income | |
| Research and Development of Water-saving Equipment for Special Forestry and Fruit and Key Technology Integration and Demonstration Project for Efficient Utilization of Water and Fertilizer in South Xinjiang | | 240,000.00 | 146,500.90 | 93,499.10 | Other income | |
| Development of Key Technologies and New Products for Water Discharge and Salt Control in Agricultural Farmland | 100,998.70 | | 69,811.10 | 31,187.60 | Other income | |
| Research on the optimized model for the integrated water-and-fertilizer distribution of the farmland pipeline network for commercial crops and the related demonstration | 319,358.86 | | 295,821.84 | 23,537.02 | Other income | |
| Research and Development of Precise and Integrated Water-and Fertilizer Technology and Equipment for Major Crops and the Application Demonstration | | 140,000.00 | 122,342.34 | 17,657.66 | Other income | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(IV) Others (continued)

2. Government grants (continued)

(1) Breakdown (continued)

- 2) Government grants relating to income applied in compensating related costs or losses in subsequent periods (continued)

| Item | Opening deferred income | New grants during the period | Carry forward for the current period | Closing deferred income | Carry forward | Description |
|---|----------------------------|---------------------------------|---|----------------------------|---------------------------------|-------------|
| | | | | | items for the current period | |
| Improvement in fertilizer placement devices under the drip-irrigation system and optimization of headworks | 36,153.08 | | 30,205.77 | 5,947.31 | Other income | |
| The Startup Platform and Base Construction Plan under the Technological Innovation Environment and Capability Enhancement Program | 154,489.83 | | 154,489.83 | | Other income | |
| Special Funds for Talent Pool Development in the Division and City | 60,000.00 | 144,000.00 | 204,000.00 | | Other income | |
| Third batch of leading talents of technological innovation under the national "Ten Thousand People's Scheme" | 471,334.53 | | 471,334.53 | | Other income | |
| Special Projects for the Development of Small and Medium-sized Enterprises | | 200,000.00 | 200,000.00 | | Other income | |
| Construction Standards for Efficient Water-saving Irrigation Projects | | 5,000.00 | 5,000.00 | | Other income | |
| 2021 Key Association Projects Funded by the Association for Science and Technology of the Division and City | | 5,000.00 | 5,000.00 | | Other income | |
| 2021 Special Funds for Talent Pool Development in the Division and City | | 23,000.00 | 23,000.00 | | Other income | |
| Special funds for cadres and talents assisting Xinjiang | | 20,000.00 | 20,000.00 | | Other income | |
| Sub-total | 3,723,792.56 | 4,956,510.21 | 2,779,385.68 | 5,900,917.09 | | |

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

(IV) Others *(continued)*

2. Government grants *(continued)*

(1) Breakdown *(continued)*

- 3) Government grants relating to income applied in compensating related costs or losses already incurred

| Item | Amount | Presentation item | Description |
|---|------------|-------------------|-------------|
| 2020 financial incentives for Enterprises updating from small enterprise to qualified one and up to the standard by the Industry and Information Technology Bureau of the Third Division | 300,000.00 | Other income | |
| Bonus for review of high-tech enterprise by the Management Committee of XPCC Shihezi High-tech Industrial Development Zone | 200,000.00 | Other income | |
| Job stabilization subsidy | 120,373.93 | Other income | |
| Financial incentives for upgrading from a small company to an enterprise above designated size by the Industry and Information Technology Bureau of the XPCC Eighth Agricultural Division | 100,000.00 | Other income | |
| Other sundry subsidies | 149,067.11 | Other income | |
| Sub-total | 869,441.04 | | |

- (2) Government grants included in profit or loss for the current period amounted to RMB4,917,880.77.

VI. MODIFICATION OF CONSOLIDATION SCOPE

(I) Business combinations not under common control

1. Business combinations not under common control occurred during the period

(1) Basic information

| Name of acquiree | Date of acquiring the | | Equity interest | |
|------------------|-----------------------|------------------|-----------------|--------------------------|
| | equity interest | Acquisition cost | acquired (%) | Acquisition method |
| Hongrui Plastic | June 2021 | 4,581,200.00 | 34.06 | Capital increase in cash |

(continued from the previous table)

| Name of acquiree | Acquisition date | The basis for determining the acquisition date | Income of acquiree | Net profit of acquiree |
|------------------|------------------|---|--|--|
| | | | from the acquisition date to the end of the period | from the acquisition date to the end of the period |
| Hongrui Plastic | 23rd June, 2021 | Completion of the registration of industrial and commercial changes by the acquiree | 456,195,249.42 | 1,434,063.54 |

(2) Other information

According to the Capital Increase Agreement entered into among the Company, Hongrui Plastic, Deng Hongwen (鄧紅文) and Li Yang (李陽) in May 2021, the Company injected capital into Hongrui Plastic by acquiring 3.1 million shares at a price of RMB1.4778 per share, representing 34.06% of equity interests in Hongrui Plastic after the capital increase, with a total capital contribution of RMB4,581,200, of which the premium of RMB1,481,200 was included in the capital surplus of Hongrui Plastic. The Company has fully paid the capital increase amount of RMB4,581,200 on 22nd June, 2021.

VI. MODIFICATION OF CONSOLIDATION SCOPE (continued)

(I) Business combinations not under common control (continued)

2. Cost of combination and goodwill

| Item | Hongrui Plastic |
|---|-----------------|
| Cost of combination | |
| Cash | 4,581,200.00 |
| Total cost of combination | 4,581,200.00 |
| Less: Share of the fair value of the identifiable net assets acquired | 4,581,200.00 |
| Amount of goodwill/cost of combination being less than the interest in the fair value of the identifiable net assets acquired | |

3. Acquiree's identifiable assets or liabilities as at the acquisition date

| Item | Hongrui Plastic | |
|----------------------------|--|---|
| | Fair value as at the acquisition date | Carrying amount as at the acquisition date |
| Assets | 44,860,569.19 | 42,628,979.98 |
| Monetary funds | 10,297,758.17 | 10,297,758.17 |
| Accounts receivable | 4,381,697.48 | 4,381,697.48 |
| Prepayments | 12,929,695.12 | 12,929,695.12 |
| Inventories | 13,751,039.92 | 11,519,450.71 |
| Other current assets | 3,356,925.97 | 3,356,925.97 |
| Fixed assets | 133,354.02 | 133,354.02 |
| Deferred income tax assets | 10,098.51 | 10,098.51 |
| Liabilities | 31,410,187.51 | 31,410,187.51 |
| Receipts in advance | 2,087,154.40 | 2,087,154.40 |
| Tax and levy payables | 28,929.32 | 28,929.32 |
| Other payables | 29,294,103.79 | 29,294,103.79 |
| Net assets | 13,450,381.68 | 11,218,792.47 |
| Less: Minority interest | | |
| Net assets acquired | 13,450,381.68 | 11,218,792.47 |

VI. MODIFICATION OF CONSOLIDATION SCOPE (continued)

(II) Changes to the consolidation scope due to other reasons

Decrease in consolidation scope

| Company name | Way of equity disposal | Date of equity disposal | Net assets at disposal date | Net profit from opening period to disposal date |
|---|------------------------|-------------------------|-----------------------------|---|
| Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (hereinafter referred to as "Hami Tianye") | Liquidation | 30th January, 2021 | 9,408,223.28 | -5,005.00 |

VII. INTEREST IN OTHER ENTITIES

(I) Interest in important subsidiaries

1. Composition of important subsidiaries

(1) Basic information

| Name of subsidiary | Place of principal operation | Place of registration | Nature of business | Shareholding percentage (%) | | Way of acquisition | Type of legal entity | Paid-in capital amount |
|--------------------------|------------------------------|------------------------|--------------------|-----------------------------|----------|---|---------------------------------|------------------------|
| | | | | Direct | Indirect | | | |
| Kuitun Water Saving | Kuitun City, Xinjiang | Kuitun City, Xinjiang | Manufacturing | 100.00 | | Establishment | Limited liability company | 12,000,000.00 |
| Akesu Tianye | Akesu City, Xinjiang | Akesu City, Xinjiang | Manufacturing | 100.00 | | Establishment | Limited liability company | 40,000,000.00 |
| Tiancheng Water Saving | Shihezi, Xinjiang | Shihezi, Xinjiang | Manufacturing | 70.00 | | Establishment | Limited liability company | 27,100,000.00 |
| Liaoning Tianye | Tieling City, Liaoning | Tieling City, Liaoning | Manufacturing | 100.00 | | Establishment | Limited liability company | 10,000,000.00 |
| Gansu Tianye | Zhangye City, Gansu | Zhangye City, Gansu | Manufacturing | 100.00 | | Business combination under common control | Limited liability company | 78,550,000.00 |
| Nanjiang Water Saving | Tumshukh, Xinjiang | Tumshukh, Xinjiang | Manufacturing | 100.00 | | Establishment | Limited liability company | 20,000,000.00 |
| Wisdom Agriculture | Shihezi, Xinjiang | Shihezi, Xinjiang | Manufacturing | 70.00 | | Establishment | Other limited liability company | 1,852,483.31 |
| Zhongxinong Water Saving | Shihezi, Xinjiang | Shihezi, Xinjiang | Manufacturing | 59.00 | | Establishment | Other limited liability company | 10,000,000.00 |

VII. INTEREST IN OTHER ENTITIES *(continued)*

(I) Interest in important subsidiaries *(continued)*

1. Composition of important subsidiaries *(continued)*

(1) Basic information *(continued)*

| Name of subsidiary | Place of principal operation | | Nature of business | Shareholding percentage (%) | | Way of acquisition | Type of legal entity | Paid-in capital amount |
|------------------------|------------------------------|-----------------------|--------------------|-----------------------------|----------|---|---------------------------|------------------------|
| | | Place of registration | | Direct | Indirect | | | |
| Xiyu Water Conservancy | Shihezi, Xinjiang | Shihezi, Xinjiang | Manufacturing | 100.00 | | Business combination under non-common control | Limited liability company | 13,000,000.00 |
| Xiying Water Saving | Shihezi, Xinjiang | Shihezi, Xinjiang | Manufacturing | 100.00 | | Business combination under non-common control | Limited liability company | 10,000,000.00 |
| Tianlu Ecological | Fuxin, Liaoning | Fuxin, Liaoning | Manufacturing | 51.00 | | Establishment | Limited liability company | 15,000,000.00 |
| Hongrui Plastic | Urumuqi, Xinjiang | Urumuqi, Xinjiang | Trader | 34.06 | | Business combination under non-common control | Limited liability company | 9,100,000.00 |

(2) Description of holding half or less voting right but still having control over the investees

The Company, which holds 34.06% of the equity interests in Hongrui Plastic, and Deng Hongwen, a shareholder holding 32.97% of the equity interests in Hongrui Plastic, entered into the acting in concert agreement, which clearly states that Deng Hongwen would act in concert with the Company regarding the voting at the general meetings and the Board meetings, and that the Company can control the significant financial and operating decisions of Hongrui Plastic and can obtain benefits from the operating activities of Hongrui Plastic. Therefore, Hongrui Plastic is included in consolidation scope.

VII. INTEREST IN OTHER ENTITIES (continued)

(I) Interest in important subsidiaries (continued)

2. Important non-wholly-owned subsidiaries

| Name of subsidiary | Shareholding percentage of minority interest | Profit or loss attributable to minority interest for the period | Distribution of dividend declared to minority interest for the period | Closing balance of minority interest |
|---------------------------|--|---|---|--------------------------------------|
| Wisdom Agriculture | 30.00% | 177,294.15 | | 1,013,445.04 |
| Zhongxinnong Water Saving | 41.00% | 1,120,475.17 | | 7,793,218.25 |
| Tianfu Ecological | 49.00% | 11,007.12 | | 7,360,366.43 |
| Hongrui Plastic | 65.94% | 945,621.50 | | 8,343,293.25 |
| Tiancheng Water Saving | 30.00% | -232,017.25 | | 1,508,234.97 |

3. Key financial information of the important non-wholly-owned subsidiaries

(1) Information on assets and liabilities

| Name of subsidiary | Closing balance | | | | | |
|---------------------------|-----------------|--------------------|---------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total Assets | Current liabilities | Non-current liabilities | Total liabilities |
| Wisdom Agriculture | 7,526,360.09 | 393,648.05 | 7,920,008.14 | 4,078,956.41 | 462,901.58 | 4,541,857.99 |
| Zhongxinnong Water Saving | 37,369,644.64 | 10,996.60 | 37,380,641.24 | 18,222,935.72 | 149,856.14 | 18,372,791.86 |
| Tianfu Ecological | 15,102,123.03 | 727,633.16 | 15,829,756.19 | 810,877.42 | | 810,877.42 |
| Hongrui Plastic | 45,186,581.16 | 104,247.93 | 45,290,829.09 | 32,637,973.08 | | 32,637,973.08 |
| Tiancheng Water Saving | 50,834,970.70 | 25,450,580.66 | 76,285,551.36 | 71,258,101.47 | | 71,258,101.47 |

(continued from the previous table)

VII. INTEREST IN OTHER ENTITIES (continued)

(I) Interest in important subsidiaries (continued)

3. Key financial information of the important non-wholly-owned subsidiaries (continued)

(1) Information on assets and liabilities (continued)

| Name of subsidiary | Current assets | Non-current assets | Closing balance of the previous year | | Non-current liabilities | Total liabilities |
|---------------------------|----------------|--------------------|--------------------------------------|---------------------|-------------------------|-------------------|
| | | | Total Assets | Current liabilities | | |
| Wisdom Agriculture | 6,313,796.08 | 463,245.71 | 6,777,041.79 | 3,458,638.81 | 531,233.34 | 3,989,872.15 |
| Zhongxinnong Water Saving | 26,415,273.40 | 10,743.24 | 26,426,016.64 | 10,095,517.00 | 55,516.52 | 10,151,033.52 |
| Tianfu Ecological | 2,956,973.95 | 41,103.97 | 2,998,077.92 | | | |
| Hongrui Plastic | | | | | | |
| Tiancheng Water Saving | 50,834,970.70 | 25,450,580.66 | 76,285,551.36 | 71,258,101.47 | | 71,258,101.47 |

(2) Information on profit or loss and cash flows

| Name of subsidiary | Current period | | | Cash flow from operating activities |
|---------------------------|------------------|--------------|----------------------------|-------------------------------------|
| | Operating income | Net profits | Total comprehensive income | |
| Wisdom Agriculture | 12,067,448.78 | 590,980.51 | 590,980.51 | -912,632.77 |
| Zhongxinnong Water Saving | 21,681,832.25 | 2,732,866.26 | 2,732,866.26 | 8,208,782.60 |
| Tianfu Ecological | 6,926,374.16 | 20,800.85 | 20,800.85 | -3,219,714.02 |
| Hongrui Plastic | 456,195,249.42 | 1,434,063.54 | 1,434,063.54 | -2,924,273.18 |
| Tiancheng Water Saving | 18,485,019.11 | -773,390.84 | -773,390.84 | 261,880.64 |

(continued from the previous table)

VII. INTEREST IN OTHER ENTITIES (continued)

(I) Interest in important subsidiaries (continued)

3. Key financial information of the important non-wholly-owned subsidiaries (continued)

(2) Information on profit or loss and cash flows (continued)

| Name of subsidiary | Operating income | Net profits | Corresponding period last year | |
|--------------------------------------|------------------|---------------|--------------------------------|-------------------------------------|
| | | | Total comprehensive income | Cash flow from operating activities |
| Wisdom Agriculture Zhongxinnong | 7,659,220.95 | 795,081.26 | 795,081.26 | 4,598,126.39 |
| Water Saving | 7,998,580.88 | 1,599,392.43 | 1,599,392.43 | 184,620.10 |
| Tianfu Ecological Hongrui Plastic | | -1,922.08 | -1,922.08 | -52,633.11 |
| Tiancheng Water Saving | 37,409,641.57 | -1,575,942.64 | -1,575,942.64 | -5,927,353.94 |

(II) Transactions in which the subsidiary remained under control with changes in the share of owners' equity

1. Description of changes in the share of owners' equity of the subsidiary

| Name of subsidiary | Time of change | Percentage of shareholding prior to change | Percentage of shareholding subsequent to change |
|---------------------------|--------------------|--|---|
| Tiancheng Water Saving | 22nd January, 2021 | 100.00% | 70.00% |

VII. INTEREST IN OTHER ENTITIES *(continued)*

(II) Transactions in which the subsidiary remained under control with changes in the share of owners' equity *(continued)*

2. Impact of the transaction on minority interests and equity attributable to owners of parent company

| Item | Tiancheng Water Saving (restated) |
|--|---|
| Consideration for disposal | |
| Cash | 2,201,251.00 |
| Total consideration for disposal | 2,201,251.00 |
| Less: Share of net assets of the subsidiary calculated based on the equity interests disposed of | 1,740,252.22 |
| Difference | 460,998.78 |
| Including: Adjustment to capital reserve | 460,998.78 |
| Adjustment to surplus reserve | |
| Adjustment to undistributed profit | |

(III) Interest in joint venture or associates

1. Key associates

| Name of joint venture or associate | Place of principal operation | Place of registration | Nature of business | Shareholding percentage (%) | | Accounting treatment method on investment in joint venture or associates |
|---|---|---|--------------------|-----------------------------|----------|--|
| | | | | Direct | Indirect | |
| Jianshui Runnong Water Supply Co., Ltd. | Honghe Hani Yi Autonomous Prefecture, Yunnan Province | Honghe Hani Yi Autonomous Prefecture, Yunnan Province | Manufacturing | 28.00 | | Accounting by the equity method |

VII. INTEREST IN OTHER ENTITIES *(continued)*

(III) Interest in joint venture or associates *(continued)*

2. Key financial information of the important associates

| Item | Closing balance/ Current period | Closing balance of the previous year/ Corresponding period last year |
|---|--|--|
| | Jianshui Runnong Water Supply Co., Ltd. | Jianshui Runnong Water Supply Co., Ltd. |
| Current assets | 15,150,431.27 | 21,001,955.53 |
| Non-current assets | 71,287,571.13 | 74,869,920.77 |
| Total Assets | 86,438,002.40 | 95,871,876.30 |
| Current liabilities | 46,523,900.93 | 54,679,480.20 |
| Non-current liabilities | 32,748,572.00 | 31,910,000.00 |
| Total liabilities | 79,272,472.93 | 86,589,480.20 |
| Minority interest | | |
| Owners' equity attributable to the Parent Company | 7,165,529.47 | 9,282,396.10 |
| Net assets calculated pro rata in shareholding | 2,006,348.25 | 2,599,070.91 |
| Adjusting events | | |
| Goodwill | | |
| Unrealized profit from internal transactions | | |
| Others | -52,138.17 | |
| Carrying amount of investment in associates | 1,954,210.08 | 2,599,070.91 |
| Fair value of investment in associates with public offer | | |
| Operating income | 3,900.00 | 359,111.79 |
| Net profits | -2,303,074.40 | 48,159.91 |
| Net profit for termination of business | | |
| Other comprehensive income | | |
| Total comprehensive income | -2,303,074.40 | 48,159.91 |
| Dividend from associates for the period | | |

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

The Company manages its risks with the objectives of balancing risks and return, minimizing the adverse effect of risks on the Company's operating results, and maximizing the benefits to shareholders and other equity owners. Based on such risk management objectives, the basic risk management strategies of the Company are to identify and analyze various risks the Company being exposed to, establish suitable risk tolerance limits and control the risks within a limited extent by monitoring them in a timely and reliable manner.

The financial instruments of the Company are primarily subjected to credit risk, liquidity risk and market risk in daily activities. The management has reviewed and approved the policies to manage these risks, a summary of which is set out as below:

(I) Credit Risk

Credit risk refers to the risk of financial loss incurred by a party of the financial instrument arising from the non-performance of the other party.

1. Credit risk management practices

(1) Credit risk assessment method

The Company assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Company takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data, external credit risk rating and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Company compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

(I) Credit Risk *(continued)*

1. Credit risk management practices *(continued)*

(1) Credit risk assessment method *(continued)*

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met:

- 1) Quantitative criteria are mainly that the probability of default of the remaining duration of the balance sheet date rises by more than a certain proportion compared with the initial recognition;
- 2) Qualitative criteria include major adverse changes in the debtor's business or financial situation, existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

(2) Definition of default and credit-impaired financial asset

When a financial instrument meets one or more of the following conditions, the Company considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets:

- 1) Major financial difficulties occur to the debtor;
- 2) The debtor breaches the restrictive clauses on the debtor under the contract;
- 3) The debtor is likely to go bankrupt or undergo other financial restructuring;
- 4) The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

(I) Credit Risk *(continued)*

2. Measurement of expected credit losses

The key parameters for the measurement of expected credit losses include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods), the Company establishes a default probability, default loss rate and default risk exposure model.

3. For details of reconciliation of the balances of allowances for losses on financial instruments at the opening and the closing periods, please refer to notes V(I) 2 and V(I) 5 of the financial statements.

4. Credit risk exposure and credit risk concentration

The credit risk of the Company is primarily from cash and trade receivables. The Company has adopted the following measures to control such risk.

(1) Cash

The Company will deposit its money and other cash with high-credit financial institutions, so its credit risk is very low.

(2) Trade receivables

The Company will regularly assess the credit of customers transacting in the method of credit. Based on the credit evaluation result, the Company only enters into transaction with recognized customers with good credit worthiness and adopts monitoring and control on the balance of the trade receivables, so as to ensure that the Company will not be exposed to significant bad debt risk.

As the Company's risk in respect of trade receivables are distributed among a large number of counterparties and customers, as of 31st December, 2021, 26.59% (31st December, 2020: 34.39%) of the Company's trade receivables were derived from the five largest customers, and the Company did not have material concentrated credit risk.

The maximum credit risk exposure to the Company is the carrying amount of each financial asset presented in the balance sheet.

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS (continued)

(II) Liquidity risk

Liquidity risk refers to the risk of insufficient capital in discharging obligations in relation to a financial liability by an entity. It may be due to the inability to sell the financial liability at fair value timely; or due to the insolvency of the counterparty to serve its contractual debts; or due to accelerated debt maturity; or due to inability to incur expected cash flows.

Classification of financial liabilities by remaining term to maturity

| Item | Carrying amount | Amount of undiscounted contract | Closing balance | | |
|---|-----------------|---------------------------------|-----------------|---------------|---------------|
| | | | Within 1 year | 1-3 years | Over 3 years |
| Trade payables | 43,418,100.54 | 44,197,649.34 | 44,197,649.34 | | |
| Trade payables | 232,012,313.59 | 232,012,313.59 | 232,012,313.59 | | |
| Other payables | 34,918,398.67 | 34,918,398.67 | 34,918,398.67 | | |
| Non-current liabilities due within one year | 5,846,769.64 | 7,661,213.75 | 7,661,213.75 | | |
| Lease liabilities | 43,615,956.46 | 59,697,421.09 | | 11,842,595.89 | 47,854,825.20 |
| Sub-total | 359,811,538.90 | 378,486,996.44 | 318,789,575.35 | 11,842,595.89 | 47,854,825.20 |

(continued from the previous table)

| Item | Carrying amount | Closing balance of the previous year Amount of undiscounted contract | Within 1 year | 1-3 years | Over 3 years |
|---|-----------------|---|----------------|-----------|--------------|
| | | | | | |
| Trade payables | 224,299,378.73 | 224,299,378.73 | 224,299,378.73 | | |
| Other payables | 26,203,466.74 | 26,203,466.74 | 26,203,466.74 | | |
| Non-current liabilities due within one year | | | | | |
| Lease liabilities | | | | | |
| Sub-total | 303,561,414.91 | 304,168,988.53 | 304,168,988.53 | | |

VIII. RISK RELATED TO FINANCIAL INSTRUMENTS *(continued)*

(III) Market Risk

Market risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises primarily of interest rate risk and exchange risk.

1. Interest rate risk

Interest rate risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market rates. Interest-bearing financial instruments with fixed interest rates expose the Company to fair value interest rate risk, and interest-bearing financial instruments with floating interest rates expose the Company to cash flow interest rate risk. The Company determines the ratio of fixed-rate and floating-rate financial instruments according to the market environment, and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The Company's exposure to interest rate risk is related to bank borrowings carrying interests at floating rates.

As at 31st December, 2021, the Company had bank borrowings of RMB36,580,000.00 (31st December, 2020: RMB3,000,000.00) at a floating interest rate, and a 50% base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

2. Exchange risk

Exchange risk refers to the risk of fluctuation of the financial instruments' fair value or future cash flow arising from changes in exchange rate. The Company operates in Mainland China, and its activities are mainly denominated in RMB. Therefore, the Company's exposure to market risk of changes in exchange rate is insignificant.

IX. DISCLOSURE OF FAIR VALUE

(I) Breakdown of fair values of assets and liabilities measured at fair value, at the end of the period

| Item | Fair value at the end of the period | | | Total |
|-----------------------|-------------------------------------|--------------------------------|--------------------------------|--------------|
| | Fair value measured at level 1 | Fair value measured at level 2 | Fair value measured at level 3 | |
| Receivables financing | | | 4,921,714.35 | 4,921,714.35 |

(II) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The fair value of receivables financing is determined based on the carrying amount of the bills.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Related parties

1. Information on Parent Company of the Company

(1) Parent Company of the Company

| Name of Parent Company | Place of registration | Nature of business | Registered capital (RMB in ten thousand) | Shareholding percentage of the Parent Company in the Company (%) | Percentage of voting rights of the Parent Company in the Company (%) |
|---------------------------------|-----------------------|--------------------|--|--|--|
| Xinjiang Tianye Company Limited | Shihezi, Xinjiang | Manufacturing | 141,972.7737 | 38.91 | 38.91 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(I) Related parties *(continued)*

1. Information on Parent Company of the Company *(continued)*

(2) The ultimate controller of the Company is Xinjiang Tianye (Group) Limited* (hereinafter referred to as "Tianye Group").

2. For details of the subsidiaries of the Company, please refer to note VII of the financial statements.

3. Information on joint ventures and associates of the Company

For details of important joint ventures or associates of the Company, please refer to note VII of the financial statements.

4. Information on other related parties of the Company

| Name of other related parties | Relationship between other related parties and the Company |
|---|--|
| Tianwai Chemical Co., Ltd.* | Under common control of the parent company |
| Tianneng Chemical Co., Ltd.* | Under common control of the parent company |
| Tianneng Cement Co., Ltd.* | Under common control of the parent company |
| Tianwai Cement Co., Ltd.* | Under common control of the parent company |
| Xinjiang Tianye Foreign Trade Company Limited (新疆天業對外貿易有限責任公司) | Under common control of the parent company |
| Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司) | Under common control of the parent company |
| Shihezi Xinyuan Highway Transportation Co., Ltd.* | Under common control of the parent company |
| Farm 8 Shihezi City Oasis Transportation Investment Co., Ltd.* | Under common control of the Tianye Group |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(I) Related parties *(continued)*

4. Information on other related parties of the Company *(continued)*

| Name of other related parties | Relationship between other related parties and the Company |
|--|--|
| Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) | Under common control of the Tianye Group |
| Xinjiang Tianzhi Chenye Chemical Co., Ltd.* | Under common control of Tianye Group |
| Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | Under common control of Tianye Group |
| Tianchen Chemical Co., Ltd.* | Under common control of Tianye Group |
| Tianbo Chenye Mining Co., Ltd. | Under common control of Tianye Group |
| Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司) | Under common control of Tianye Group |
| Shihezi Tianyu Xinshi Chemical Co., Ltd.* | Under common control of Tianye Group |
| Xinjiang Tianye Huihe New Materials Co., Ltd.* | Under common control of Tianye Group |
| Jinghe County Jingyi Mining Co., Ltd.* | Under common control of Tianye Group |
| Tianchen Cement Co., Ltd.* | Under common control of Tianye Group |
| Xinjiang Tianye (Group) Mining Co, Ltd* | Under common control of Tianye Group |
| Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司) | Under common control of Tianye Group |
| Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司) | Under common control of Tianye Group |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(I) Related parties *(continued)*

4. Information on other related parties of the Company *(continued)*

| Name of other related parties | Relationship between other related parties and the Company |
|--|--|
| Xinjing Bingtian Lvcheng Inspection Co., Ltd. | Under common control of Tianye Group |
| Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司) | Under common control of Tianye Group |
| Xinjiang Tianye Ecological Technology Company Limited | Under common control of Tianye Group |
| Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司) | Under common control of Tianye Group |
| Turpan Tianye Mineral Development Co., Ltd. | Under common control of Tianye Group |
| Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司) | Under common control of Tianye Group |
| Zhang Hu (張虎) | Legal person of subsidiaries |
| Wei Ping (魏萍) | Spouse of legal person of subsidiaries |
| Deng Hongwen (鄧紅文) | Minority shareholders of subsidiaries |
| Gou Xiaoyun (苟筱雲) | Minority shareholders of subsidiaries |
| Deng Liming (鄧立明) | Close relative of minority shareholders of subsidiaries |
| Deng Shangguang (鄧尚光) | Close relative of minority shareholders of subsidiaries |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)

(II) Information on related party transactions

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services

(1) Related party transactions regarding purchase of goods and receipt of services

| Related Parties | Information on related party transactions | Current period | Corresponding period last year |
|--|---|----------------|--------------------------------|
| Xinjiang Tianye Company Limited | Purchase of goods, receipt of services | 67,846,252.65 | 8,807,265.85 |
| Tianye Group | Purchase of goods, receipt of services | 64,770,693.86 | 136,225,648.04 |
| Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) | Purchase of goods, receipt of services | 2,490,184.45 | 802,081.93 |
| Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天揚預拌砼有限公司) | Purchase of goods | 2,073,792.72 | 135,922.33 |
| Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司) | Purchase of goods | 2,028,318.58 | 3,491,858.40 |
| Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司) | Purchase of goods | 508,833.48 | 949,000.00 |
| Shihezi Tianyu Xinshi Chemical Co., Ltd.* | Purchase of goods | 372,895.21 | |
| Xinjing Bingtian Lvcheng Inspection Co., Ltd. | Receipt of services | 281,891.32 | 512,649.48 |
| Tianchen Chemical Co., Ltd.* | Receipt of services | 235,309.73 | 253,760.22 |
| Tianwai Chemical Co., Ltd.* | Purchase of goods | 192,780.00 | 82,743.37 |
| Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司) | Receipt of services | 182,247.77 | |
| Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司) | Purchase of goods | 29,159.29 | |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

(1) *Related party transactions regarding purchase of goods and receipt of services (continued)*

| Related Parties | Information on related party transactions | Current period | Corresponding period last year |
|---|---|----------------|--------------------------------|
| Shihezi Xinyuan Highway Transportation Co., Ltd.* | Receipt of services | 24,729.90 | 191,939.17 |
| Xinjiang Tianye Huihe New Materials Co., Ltd.* | Purchase of goods | 511.06 | |
| Tianneng Chemical Co., Ltd.* | Purchase of goods | | 34,809.57 |
| Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | Receipt of services | | 23,362.83 |
| Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司) | Receipt of services | | 7,103.28 |
| Total | | 141,037,600.04 | 142,668,965.77 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

(2) Related party transactions regarding sale of goods and rendering of services

| Related Parties | Information on related party transactions | Current period | Corresponding period last year |
|---|---|----------------|--------------------------------|
| Farm 8 Shihezi City Oasis Transportation Investment Co., Ltd.* | Sale of water-saving product | 5,472,796.87 | 3,183,931.13 |
| Xinjiang Tianye Ecological Technology Company Limited | Sales of water-saving products and agricultural crops and rendering of services | 5,412,402.06 | |
| Tianye Group | Sale of water-saving product and agricultural crops and rendering of services | 1,927,060.16 | 435,665.40 |
| Tianneng Chemical Co., Ltd.* | Sale of agricultural crops | 1,644,218.15 | 3,247,874.54 |
| Xinjiang Tianye Huihe New Materials Co., Ltd.* | Sale of water-saving product and agricultural crops | 886,969.17 | 7,715.93 |
| Tianchen Chemical Co., Ltd.* | Sale of water-saving product and agricultural crops | 314,312.02 | 81,578.24 |
| Tianwai Chemical Co., Ltd.* | Sale of agricultural crops | 265,211.39 | |
| Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | Rendering of services | 165,815.26 | 497,234.62 |
| Xinjiang Tianzhi Chenye Chemical Co., Ltd.* | Sale of water-saving product and agricultural crops | 141,043.93 | 525,953.65 |
| Xinjiang Tianye Company Limited | Sale of agricultural crops | 89,608.60 | 3,147.30 |
| Tianchen Cement Co., Ltd.* | Sale of water-saving product and agricultural crops | 48,724.12 | 1,654.87 |
| Tianwai Chemical Co., Ltd.* | Sale of agricultural crops | 44,730.00 | 49,539.99 |
| Tianneng Cement Co., Ltd.* | Sale of agricultural crops | 40,572.00 | |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

(2) Related party transactions regarding sale of goods and rendering of services *(continued)*

| Related Parties | Information on related party transactions | Current period | Corresponding period last year |
|--|---|----------------|--------------------------------|
| Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) | Sale of agricultural crops | 35,910.00 | 3,038,600.90 |
| Xinjiang Tianye (Group) Mining Co., Ltd.* | Sale of water-saving product and agricultural crops | 35,637.78 | |
| Jinghe County Jingyi Mining Co., Ltd.* | Sale of water-saving product and agricultural crops | 20,343.44 | 6,738.23 |
| Tianbo Chenye Mining Co., Ltd. | Sale of agricultural crops | 18,522.00 | 16,114.68 |
| Shihezi Xinyuan Highway Transportation Co., Ltd | Sales of agricultural crops | 17,262.00 | |
| Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司) | Sale of agricultural crops | 13,104.00 | |
| Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司) | Sale of agricultural crops | 12,987.00 | 13,876.11 |
| Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司) | Sale of agricultural crops | 9,450.00 | |
| Shihezi Tianyu Xinshi Chemical Co., Ltd.* | Sale of water-saving product | 5,746.47 | 10,227.88 |
| Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司) | Sale of agricultural crops | 4,284.00 | |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

(2) *Related party transactions regarding sale of goods and rendering of services (continued)*

| Related Parties | Information on related party transactions | Current period | Corresponding period last year |
|---|---|----------------|--------------------------------|
| Xinjiang Tianye Foreign Trade Company Limited (新疆天業對外貿易有限責任公司) | Sale of agricultural crops | 3,654.00 | |
| Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司) | Sale of agricultural crops | 2,634.00 | |
| Turpan Tianye Mineral Development Co., Ltd. | Sale of agricultural crops | 1,260.00 | |
| Total | | 16,593,686.41 | 11,119,853.47 |

2. Information on related party leases

(1) *The Company as a lessor*

| Name of lessee | Type of leased assets | Rental income recognized for the period | Rental income recognized for the corresponding period last year |
|----------------|-----------------------|---|---|
| Tianye Group | Buildings | 405,677.51 | 212,980.70 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

2. Information on related party leases *(continued)*

(2) *The Company as a lessee*

For the period

| Name of lessor | Type of leased assets | Rental costs for short-term lease and low-value asset lease with simplified approach and variable lease payments not included in the measurement of lease liabilities | Lease payment (excluding rental costs for short-term lease and low-value asset lease with simplified approach and variable lease payments not included in the measurement of lease liabilities) | Increased right-of-use assets | Interest expenses recognized |
|---|-----------------------|---|---|-------------------------------|------------------------------|
| | | | | | |
| Xinjiang Tianye Company Limited | Buildings | 482,809.83 | 1,149,001.20 | | 36,414.19 |
| Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | Buildings | 27,375.00 | 167,740.61 | | 6,084.94 |

For the corresponding period last year

| Name of lessor | Type of leased assets | Lease payment recognized |
|---------------------------------|-----------------------|--------------------------|
| Xinjiang Tianye Company Limited | Buildings | 1,341,432.09 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

3. Information on related party guarantee

The Company and its subsidiaries as a guaranteed party

| Guarantor | Amount of guarantee | Commencement date of guarantee | Expiring date of guarantee | Whether the guarantee has been fulfilled |
|--|---------------------|--------------------------------|----------------------------|--|
| Tianye Group | 30,000,000.00 | 23rd April, 2021 | 21st April, 2022 | No |
| Zhang Hu (張虎) and Wei Ping (魏萍) | 3,000,000.00 | 18th October, 2021 | 18th October, 2022 | No |

4. Compensation to key management personnel

| Item | Current period | Corresponding period last year |
|--|----------------|--------------------------------|
| Compensation to key management personnel | 2,242,723.37 | 2,768,912.07 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

5. Remuneration of Directors and Supervisors

| Item | Salary and subsidy | Old age pension | Current period | | Total |
|--------------------------------------|--------------------|-----------------|------------------------|---------------------------------|------------|
| | | | Housing provident fund | Other social security insurance | |
| Executive Directors: | | | | | |
| Chen Lin | 57,200.00 | 13,069.84 | 5,900.00 | 3,828.00 | 79,997.84 |
| Huang Dong (Note 1) | | | | | |
| Tan Xinmin | 194,118.67 | 50,977.68 | 25,716.00 | 15,036.00 | 285,848.35 |
| Independent non-executive Directors: | | | | | |
| Yin Feihu | 30,000.00 | | | | 30,000.00 |
| Qin Ming | 30,000.00 | | | | 30,000.00 |
| Gu Li | 30,000.00 | | | | 30,000.00 |
| Hung Ee Tek | 49,800.00 | | | | 49,800.00 |
| Supervisors: | | | | | |
| Chen Jun | 172,850.70 | 43,371.00 | 21,132.00 | 12,360.00 | 249,713.70 |
| Chen Cailai (Note 2) | | | | | |
| Xie Xinghui | 30,000.00 | | | | 30,000.00 |
| Total | 593,969.37 | 107,418.52 | 52,748.00 | 31,224.00 | 785,359.89 |

(continued from the previous table)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

5. Remuneration of Directors and Supervisors *(continued)*

| Item | Corresponding period last year | | | | Total |
|--------------------------------------|--------------------------------|-------------------|------------------------|---------------------------------|-------------------|
| | Salary and subsidy | Old age pension | Housing provident fund | Other social security insurance | |
| Executive Directors: | | | | | |
| Chen Lin | 193,566.72 | 34,456.32 | 16,992.00 | 19,707.82 | 264,722.86 |
| Huang Dong | | | | | |
| Tan Xinmin | 187,945.51 | 45,106.56 | 27,048.00 | 25,725.21 | 285,825.28 |
| Independent non-executive Directors: | | | | | |
| Qin Ming | 30,000.00 | | | | 30,000.00 |
| Yin Feihu | 30,000.00 | | | | 30,000.00 |
| Gu Li | 30,000.00 | | | | 30,000.00 |
| Hung Ee Tek | 45,000.00 | | | | 45,000.00 |
| Supervisors: | | | | | |
| Chen Jun | 154,517.38 | 37,082.88 | 22,668.00 | 21,191.83 | 235,460.09 |
| Chen Cailai | | | | | |
| Xie Xinghui | 30,000.00 | | | | 30,000.00 |
| Total | 701,029.61 | 116,645.76 | 66,708.00 | 66,624.86 | 951,008.23 |

Note 1: Huang Dong was appointed as the Director of the Company on 26th February, 2019. His remuneration and retirement benefits were paid by Tianye Group, and the Company was not required to reimburse the remuneration and retirement benefits paid by Tianye Group.

Note 2: The remuneration and retirement benefits of Chen Cailai were paid by Tianye Group, and the Company was not required to reimburse the remuneration and retirement benefits paid by the Tianye Group.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(II) Information on related party transactions *(continued)*

6. Five highest paid employees

Of the five highest paid employees during the year, 1 (2020: 2) were Directors. The remunerations of the remaining 4 (2020: 3) employees who are not Directors are as set out below:

| Item | Current period | Corresponding period last year |
|--------------------------------------|-----------------------|-----------------------------------|
| Salary, bonus, allowance and subsidy | 969,546.68 | 931,723.11 |
| Housing provident fund | 117,630.00 | 115,062.00 |
| Old age pension | 237,159.12 | 247,962.24 |
| Other social security insurance | 58,068.00 | 141,104.87 |
| Total | 1,382,403.80 | 1,435,852.22 |

The remunerations of 4 (2020: 3) employees who are not Directors were within the following bands:

| Item | Individuals of current period | Individuals of corresponding period last year |
|------------------------|--|---|
| HK\$0 to HK\$1,000,000 | 4 | 3 |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(III) Amount due from/to related party

1. Amount due from related party

| Name of item | Related party | Closing balance | | Closing balance of the previous year | |
|-------------------|---|-----------------|--------------------|--------------------------------------|--------------------|
| | | Book balance | Bad-debt provision | Book balance | Bad-debt provision |
| Trade receivables | Xinjiang Tianye Company Limited* | 523,809.52 | | 523,809.52 | |
| | Tianneng Chemical Co., Ltd.* | 18,114.54 | | 329,589.48 | |
| | Tianye Group | | | 212,980.70 | 6,389.42 |
| | Farm 8 Shihezi City Oasis Transportation Investment Co., Ltd.* | 846,947.36 | 42,347.37 | 3,429,956.71 | 155,696.99 |
| | Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | 35,448.00 | 1,772.40 | 2,420,360.72 | 404,125.16 |
| | Xinjiang Tianzhi Chenye Chemical Co., Ltd.* | | | 446,000.00 | 13,380.00 |
| | Sub-total | | 1,424,319.42 | 44,119.77 | 7,362,697.13 |
| Prepayments | Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) | 2,374,053.87 | | 4,141,613.38 | |
| | Xinjiang Tianye Company Limited | | | 289,296.00 | |
| | Tianye Group | | | 19,080.00 | |
| | Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | 1,457,190.51 | | | |
| Sub-total | | 3,831,244.38 | | 4,449,989.38 | |
| Other receivables | Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司) | 10,000.00 | | 10,000.00 | |
| Sub-total | | 10,000.00 | | 10,000.00 | |

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

(III) Amount due from/to related party *(continued)*

2. Amount due to related party

| Name of item | Related party | Closing balance | Closing balance of the previous |
|-----------------------|---|----------------------|---------------------------------|
| Trade payables | Tianye Group | 83,477,058.97 | 76,289,143.47 |
| | Xinjiang Tianye Company Limited* | 4,112,757.42 | 5,054,982.92 |
| | Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* | | 1,049,486.39 |
| | Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司) | | 295,863.08 |
| | Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司) | 542,124.50 | |
| | Tianchen Chemical Co., Ltd.* | 3,010.00 | |
| Sub-total | | 88,134,950.89 | 82,689,475.86 |
| Contract liabilities | Xinjiang Tianye Ecological Technology Company Limited | 655,682.87 | |
| Sub-total | | 655,682.87 | |
| Other payables | Tianye Group | | 10,000.00 |
| | Xinjiang Tianye Company Limited* | 5,202.00 | |
| | Deng Hongwen (鄧紅文) | 7,184,378.96 | |
| | Deng Liming (鄧立明) | 30,000.00 | |
| | Gou Xiaoyun (苟筱蕓) | 200,000.00 | |
| Deng Shangguang (鄧尚光) | 200,000.00 | | |
| Sub-total | | 7,619,580.96 | 10,000.00 |

XI. COMMITMENTS AND CONTINGENT LIABILITIES

As of 31st December, 2021, the Company had no commitments or contingencies that required to be disclosed.

XII. POST BALANCE SHEET DATE EVENT

As of the date of approval of this financial report, the Company has no post-balance sheet events that require disclosure.

XIII. OTHER SIGNIFICANT EVENTS

Segment information

The major business of the Company is the 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 Company regards this business as a whole to implement management and assess operating results. Accordingly, the segment information does not require preparation. Details of the Company's operating revenue and operating cost by products are set out in Note V(II)1 to these financial statements.

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Notes to items in the Balance Sheet of the Parent Company

1. Trade receivables

(1) Breakdown

1) Breakdown by category

| | Book balance | | Closing balance | | Carrying amount |
|---|---------------|------------|-----------------|---------------|-----------------|
| | Amount | Percentage | Amount | Percentage of | |
| | | (%) | | provision (%) | |
| Bad-debt provision made on a separate basis | 22,289,570.15 | 28.54 | 17,999,466.60 | 80.75 | 4,290,103.55 |
| Bad-debt provision made on a group basis | 55,802,850.22 | 71.46 | 12,866,526.26 | 23.06 | 42,936,323.96 |
| Total | 78,092,420.37 | 100.00 | 30,865,992.86 | 39.52 | 47,226,427.51 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

1. Trade receivables *(continued)*

(1) Breakdown *(continued)*

1) Breakdown by category *(continued)*

(continued from the previous table)

| Category | Book balance | | Closing balance of the previous year | | Carrying amount |
|-------------------------|-----------------------|----------------|--------------------------------------|-----------------------------|----------------------|
| | Amount | Percentage (%) | Bad-debt provision Amount | Percentage of provision (%) | |
| Bad-debt provision made | | | | | |
| on a separate basis | 12,937,981.59 | 10.88 | 9,963,296.78 | 77.01 | 2,974,684.81 |
| Bad-debt provision made | | | | | |
| on a group basis | 105,942,888.68 | 89.12 | 15,163,796.86 | 14.31 | 90,779,091.82 |
| Total | 118,880,870.27 | 100.00 | 25,127,093.64 | 21.14 | 93,753,776.63 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

1. Trade receivables (continued)

(1) Breakdown (continued)

- 2) Trade receivables for which bad-debt provision is made on a separate basis at the end of the period

| Name of entity | Book balance | Bad-debt provision | Percentage of provision (%) | Reason for provision |
|---|--------------|--------------------|-----------------------------|---|
| Regiment No. 124 of Farm 7 | 2,761,283.08 | 2,761,283.08 | 100.00 | No extrabudgetary funds being disbursed as it is beyond the national budget for the project after inspection and auditing |
| Liaoning Dongrun Seed Industry Co., Ltd.* | 3,000,000.00 | 3,000,000.00 | 100.00 | Expected to be irrecoverable as it is in the process of enforcement due to insolvency of the counterparty |
| Kaiyuan Agricultural Technology Promotion Center* | 931,850.12 | 931,850.12 | 100.00 | Expected to be irrecoverable due to on-going appeal |
| Heilongjiang Province Fuyu Pasture* | 831,520.00 | 831,520.00 | 100.00 | Expected to be irrecoverable due to disagreement on the quality upon acceptance |
| Guangxi Gaoliang Agricultural High-Tech Development Limited* (廣西高良科技農業開發有限公司) | 1,475,998.79 | 1,475,998.79 | 100.00 | Expected to be irrecoverable as it has been revoked |
| Inner Mongolia Mining Exploitation Co., Ltd. | 9,474,094.30 | 7,474,094.30 | 78.89 | Expected to be irrecoverable despite submission of an appeal |
| Regiment No. 128 of Farm 7 | 147,681.25 | 147,681.25 | 100.00 | Expected to be irrecoverable |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

1. Trade receivables *(continued)*

(1) Breakdown *(continued)*

- 2) Trade receivables for which bad-debt provision is made on a separate basis at the end of the period *(continued)*

| Name of entity | Book balance | Bad-debt provision | Percentage of provision (%) | Reason for provision |
|--|---------------|--------------------|-----------------------------|---|
| Xinjiang Asina Agricultural Corporation | 531,786.65 | 531,786.65 | 100.00 | Expected to be irrecoverable due to on-going appeal |
| Hongshan Farmland under the 13th Division of Xinjiang Production and Construction Corps | 716,804.82 | 716,804.82 | 100.00 | Expected to be irrecoverable due to disagreement on the quality upon acceptance |
| Zeng Mingmin (曾明敏) | 128,447.59 | 128,447.59 | 100.00 | Expected to be irrecoverable despite submission of an appeal |
| Plastic factory of Xinjiang Tianye Company Limited | 523,809.52 | | | A related party, without credit losses after testing |
| Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* | 974,293.23 | | | A related party, without credit losses after testing |
| Jinghe Branch of Akesu Tianye Water Saving Co., Ltd* | 792,000.80 | | | A related party, without credit losses after testing |
| Sub-total | 22,289,570.15 | 17,999,466.60 | 80.75 | |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

1. Trade receivables (continued)

(1) Breakdown (continued)

- 3) Trade receivables for which bad-debt provision has been made using group provision method

| Item | Closing balance | | Percentage of provision (%) |
|--|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | |
| Group of receivables from non-government authorities | 36,726,875.43 | 9,611,837.40 | 26.17 |
| Group of receivables from government authorities | 19,075,974.79 | 3,254,688.86 | 17.06 |
| Sub-total | 55,802,850.22 | 12,866,526.26 | 23.06 |

- ① In the group of receivables from non-government authorities, trade receivables for which bad-debt provision has been made using the reconciliation table of aging loss rates

| Aging | Closing balance | | Percentage of provision (%) |
|---------------|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | |
| Within 1 year | 7,749,108.25 | 232,473.25 | 3.00 |
| 1-2 years | 3,775,766.83 | 566,365.03 | 15.00 |
| 2-3 years | 14,881,830.79 | 2,976,366.16 | 20.00 |
| 4-5 years | 8,967,073.20 | 4,483,536.60 | 50.00 |
| Over 5 years | 1,353,096.36 | 1,353,096.36 | 100.00 |
| Sub-total | 36,726,875.43 | 9,611,837.40 | 26.17 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

1. Trade receivables *(continued)*

(1) Breakdown *(continued)*

3) Trade receivables for which bad-debt provision has been made using group provision method *(continued)*

② In the group of receivables from government authorities, trade receivables for which bad-debt provision has been made using the reconciliation table of aging loss rates

| Aging | Closing balance | | Percentage of provision (%) |
|---------------|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | |
| Within 1 year | 4,493,651.12 | 44,936.51 | 1.00 |
| 1-2 years | 10,604,877.22 | 530,243.86 | 5.00 |
| 2-3 years | 985,223.29 | 98,522.33 | 10.00 |
| 3-4 years | 172,330.28 | 43,082.57 | 25.00 |
| Over 5 years | 2,819,892.88 | 2,537,903.59 | 90.00 |
| Sub-total | 19,075,974.79 | 3,254,688.86 | 17.06 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

1. Trade receivables (continued)

(2) Aging analysis

| Aging | Closing balance | | | Closing balance of the previous year | | |
|--|-----------------|--------------------|----------------|--------------------------------------|--------------------|----------------|
| | Book balance | Bad-debt provision | Percentage (%) | Book balance | Bad-debt provision | Percentage (%) |
| Within 1 year (inclusive, same rule applies below) | 14,137,500.99 | 405,857.35 | 2.87 | 27,283,813.85 | 441,632.45 | 1.62 |
| 1-2 years | 14,380,644.05 | 1,096,608.89 | 7.63 | 46,759,744.35 | 3,955,813.68 | 8.46 |
| 2-3 years | 16,390,863.60 | 3,074,888.49 | 18.76 | 29,367,398.81 | 5,901,351.41 | 20.09 |
| 3-4 years | 18,613,497.78 | 12,000,713.47 | 64.47 | 153,005.16 | 46,488.09 | 30.38 |
| 4-5 years | | | | 300,000.00 | 150,000.00 | 50.00 |
| Over 5 years | 14,569,913.95 | 14,287,924.66 | 98.06 | 15,016,908.10 | 14,631,808.01 | 97.44 |
| Total | 78,092,420.37 | 30,865,992.86 | 39.52 | 118,880,870.27 | 25,127,093.64 | 21.14 |

The aged analysis over accounts receivable is based on the month in which the amount is actually incurred, and the amount which occurs first has priority in settlement with respect to turnover.

(3) Changes in bad-debt provision

| Item | Opening balance | Increase during the period | | | Decrease during the period | | | Closing balance |
|---|-----------------|----------------------------|----------|--------|----------------------------|-----------|--------|-----------------|
| | | Provision | Recovery | Others | Write-back | Write-off | Others | |
| Bad-debt provision made on a separate basis | 9,963,296.78 | 8,036,169.82 | | | | | | 17,999,466.60 |
| Bad-debt provision made on a group basis | 15,163,796.86 | -2,297,270.60 | | | | | | 12,866,526.26 |
| Sub-total | 25,127,093.64 | 5,738,899.22 | | | | | | 30,865,992.86 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

1. Trade receivables *(continued)*

(4) Top 5 trade receivables

| Name of entity | Book balance | Percentage to trade receivables balance (%) | Bad-debt provision |
|---|---------------|---|--------------------|
| Xinjiang Jiarun International Trade Development Co., Ltd.* | 23,508,696.20 | 30.10 | 6,860,314.78 |
| Inner Mongolia Mining Exploitation Co., Ltd. | 9,474,094.30 | 12.13 | 7,474,094.30 |
| Xinjiang Tianfu Group Co., Ltd* (新疆天富集團有限責任公司) | 5,939,345.57 | 7.61 | 3,094,818.86 |
| Water Administration Station of Shanshan County | 3,393,059.62 | 4.34 | 461,458.94 |
| Shihezi City Water Conservancy Engineering Management Service Center of the Eighth Division (第八師石河子市水利工程管理服務中心) | 3,026,797.73 | 3.88 | 57,718.90 |
| Sub-total | 45,341,993.42 | 58.06 | 17,948,405.78 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

2. Other receivables

(1) Breakdown

1) Breakdown by category

| Category | Closing balance | | | | Carrying amount |
|---|-----------------|----------------|--------------------|-----------------------------|-----------------|
| | Book balance | | Bad-debt provision | | |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Bad-debt provision made on a separate basis | 122,078,519.57 | 94.93 | | | 122,078,519.57 |
| Bad-debt provision made on a group basis | 6,519,059.48 | 5.07 | 584,228.07 | 8.96 | 5,934,831.41 |
| Total | 128,597,579.05 | 100.00 | 584,228.07 | 0.45 | 128,013,350.98 |

(continued from the previous table)

| Category | Closing balance of the previous year | | | | |
|---|--------------------------------------|----------------|--------------------|-----------------------------|-----------------|
| | Book balance | | Bad-debt provision | | Carrying amount |
| | Amount | Percentage (%) | Amount | Percentage of provision (%) | |
| Bad-debt provision made on a separate basis | 135,061,226.94 | 95.36 | | | 135,061,226.94 |
| Bad-debt provision made on a group basis | 6,572,513.12 | 4.64 | 714,264.63 | 10.87 | 5,858,248.49 |
| Total | 141,633,740.06 | 100.00 | 714,264.63 | 0.50 | 140,919,475.43 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

2. Other receivables *(continued)*

(1) Breakdown *(continued)*

- 2) Other receivables for which bad-debt provision is made on a separate basis at the end of the period

| Name of entity | Book balance | Bad-debt provision | Percentage of provision (%) | Reason for provision |
|---|----------------|--------------------|-----------------------------|--|
| Tiancheng Water Saving | 39,247,525.91 | | | A related party, without credit losses after testing |
| Akesu Tianye | 34,683,476.09 | | | A related party, without credit losses after testing |
| Kuitun Water Saving | 18,181,985.06 | | | A related party, without credit losses after testing |
| Xiying Water Saving | 11,126,345.76 | | | A related party, without credit losses after testing |
| Liaoning Tianye | 15,404,786.99 | | | A related party, without credit losses after testing |
| Hongrui Plastic | 2,000,000.00 | | | A related party, without credit losses after testing |
| Xiyu Water Conservancy | 1,384,699.76 | | | A related party, without credit losses after testing |
| Gansu Water Saving | 39,700.00 | | | A related party, without credit losses after testing |
| Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司) | 10,000.00 | | | A related party, without credit losses after testing |
| Sub-total | 122,078,519.57 | | | |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

2. Other receivables *(continued)*

(1) Breakdown *(continued)*

- 3) Other receivables for which bad-debt provision has been made using group provision method

| Name | Closing balance | | Percentage of provision (%) |
|--|-----------------|--------------------|-----------------------------|
| | Book balance | Bad-debt provision | |
| Group of receivables from non-government authorities | 1,048,235.73 | 293,145.69 | 27.97 |
| Group of receivables from government authorities | 5,470,823.75 | 291,082.38 | 5.32 |
| Sub-total | 6,519,059.48 | 584,228.07 | 8.96 |

(2) Aging profile

| Item | Closing book balance | Closing book balance of the previous year |
|---------------|----------------------|---|
| Within 1 year | 27,942,116.96 | 60,733,841.24 |
| 1-2 years | 59,084,412.95 | 54,785,274.71 |
| 2-3 years | 28,407,615.79 | 25,485,556.38 |
| 3-4 years | 12,936,229.66 | |
| Over 5 years | 227,203.69 | 629,067.73 |
| Total | 128,597,579.05 | 141,633,740.06 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

2. Other receivables *(continued)*

(3) Changes to bad-debt provision

| Item | Phase 1 Next 12-month ECLs | Phase 2 Lifetime ECLs (without credit impairment) | Phase 3 Lifetime ECLs (with credit impairment) | Total |
|--|-------------------------------------|--|---|-------------|
| Opening balance | 62,059.39 | 23,137.51 | 629,067.73 | 714,264.63 |
| Opening balance for the current period | — | — | — | |
| — Transferred to Phase 2 | -163,851.26 | 163,851.26 | | |
| — Transferred to Phase 3 | | | | |
| — Written back from Phase 2 | | | | |
| — Written back from Phase 1 | | | | |
| Provision for the current period | 116,117.58 | 120,267.52 | -366,421.66 | -130,036.56 |
| Recovered for the current period | | | | |
| Written back for the current period | | | | |
| Written off for the current period | | | | |
| Other changes | | | | |
| Closing balance | 14,325.71 | 307,256.29 | 262,646.07 | 584,228.07 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

2. Other receivables (continued)

(4) Category of other receivables by nature

| Nature | Closing balance | Closing balance of the previous year |
|---|-----------------------|--------------------------------------|
| Security deposits | 6,064,643.19 | 6,174,532.94 |
| Amounts due from subsidiaries and related parties | 122,078,519.57 | 135,061,226.94 |
| Provisional accounts receivables | 454,416.29 | 397,980.18 |
| Total | 128,597,579.05 | 141,633,740.06 |

(5) Top 5 other receivables

| Name of entity | Nature | Book balance | Aging | Percentage in the balance of other receivables (%) | Bad-debt provision |
|------------------------|-----------------|-----------------------|---|--|--------------------|
| Tiancheng Water-saving | Current account | 39,247,525.91 | Within 1 year, 1-2 years and 2-3 years | 30.52 | |
| Akesu Water Saving | Current account | 34,683,476.09 | Within 1 year, 1-2 years, 2-3 years and 3-4 years | 26.97 | |
| Kuitun Water Saving | Current account | 18,181,985.06 | Within 1 year, 1-2 years, 2-3 years and 3-4 years | 14.14 | |
| Liaoning Tianye | Current account | 15,404,786.99 | Within 1 year, 1-2 years and 2-3 years | 11.98 | |
| Xiyi Water Saving | Current account | 11,126,345.76 | Within 1 year and 1-2 years | 8.65 | |
| Sub-total | | 118,644,119.81 | | 92.26 | |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

3. Long-term equity investments

(1) Breakdown

| Item | Closing balance | | | Closing balance of previous year | | |
|-----------------------------|-----------------|--------------------------|----------------|----------------------------------|--------------------------|----------------|
| | Book balance | Provision for impairment | Book value | Book balance | Provision for impairment | Book value |
| Investments in subsidiaries | 198,391,526.00 | 18,569,040.73 | 179,822,485.27 | 205,905,620.47 | 26,651,020.90 | 179,254,599.57 |
| Investments in associates | 1,954,210.08 | | 1,954,210.08 | 2,599,070.91 | | 2,599,070.91 |
| Total | 200,345,736.08 | 18,569,040.73 | 181,776,695.35 | 208,504,691.38 | 26,651,020.90 | 181,853,670.48 |

(2) Investments in subsidiaries

| Investee | Opening balance | Increase during the period | Decrease during the period | Closing balance | Provision for impairment during the period | Provision for impairment Closing balance |
|---------------------------|-----------------|----------------------------|----------------------------|-----------------|--|--|
| Hami Tianye | 11,549,490.47 | | 11,549,490.47 | | | |
| Kuitun Water Saving | 12,000,000.00 | | | 12,000,000.00 | | 12,000,000.00 |
| Akesu Tianye | 40,000,000.00 | | | 40,000,000.00 | | |
| Tiancheng Water Saving | 20,652,680.00 | | 6,195,804.00 | 14,456,876.00 | | 5,123,533.06 |
| Gansu Tianye | 61,414,950.00 | | | 61,414,950.00 | | |
| Liaoning Tianye | 10,000,000.00 | | | 10,000,000.00 | | 826,256.38 |
| Zhongxinnong Water Saving | 5,900,000.00 | | | 5,900,000.00 | | |
| Wisdom Agriculture | 700,000.00 | | | 700,000.00 | | 12,719.05 |
| Nanjiang Water Saving | 20,000,000.00 | | | 20,000,000.00 | | 606,532.24 |
| Xiyu Water Conservancy | 9,798,300.00 | | | 9,798,300.00 | | |
| Xiyin Water Saving | 11,890,200.00 | | | 11,890,200.00 | | |
| Tianfu Ecological | 2,000,000.00 | 5,650,000.00 | | 7,650,000.00 | | |
| Hongrui Plastic | | 4,581,200.00 | | 4,581,200.00 | | |
| Sub-total | 205,905,620.47 | 10,231,200.00 | 17,745,294.47 | 198,391,526.00 | | 18,569,040.73 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Notes to items in the Balance Sheet of the Parent Company (continued)

3. Long-term equity investments

(3) Investments in associates

| Investee | Opening balance | Increase or decrease during the period | | | Investment profit and loss recognized with the equity method | Adjustment of other consolidated return |
|---|-----------------|--|----------|--|--|---|
| | | Increase | Decrease | | | |
| Associates | | | | | | |
| Jianshui Runnong Water Supply Co., Ltd. | 2,599,070.91 | | | | -644,860.83 | |
| Sub-total | 2,599,070.91 | | | | -644,860.83 | |

(continued from the previous table)

| Investee | Other change to Equity | Increase or decrease during the period | | | Closing balance | Provision for impairment closing balance |
|---|------------------------|--|--------------------------|--------|-----------------|--|
| | | Cash dividends or profit distribution declared | Provision for impairment | Others | | |
| Associates | | | | | | |
| Jianshui Runnong Water Supply Co., Ltd. | | | | | 1,954,210.08 | |
| Total | | | | | 1,954,210.08 | |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(II) Notes to items in the Statement of Income of the Parent Company

1. Operating income/operating cost

(1) Breakdown

| Item | Current period | | Corresponding period last year | |
|--|----------------|----------------|--------------------------------|--------------------|
| | Income | Cost | Income | Cost (restated) |
| Income from principal businesses | 158,741,665.58 | 151,273,480.27 | 250,005,731.65 | 210,201,269.19 |
| Income from other businesses | 43,450,275.64 | 35,331,750.63 | 42,713,110.40 | 40,119,437.39 |
| Total | 202,191,941.22 | 186,605,230.90 | 292,718,842.05 | 250,320,706.58 |
| Including: Revenue from contracts with customers | 201,301,028.19 | 185,356,837.28 | 292,377,220.57 | 250,096,609.34 |

(2) Breakdown of revenue from contracts with customers by major types

1) Breakdown of revenue by types of goods or services

| Item | Current period | | Corresponding period last year | |
|---|----------------|----------------|--------------------------------|--------------------|
| | Income | Cost | Income | Cost (restated) |
| Drip films, drip tape, and drip assembles | 13,086,907.70 | 9,555,146.92 | 9,844,354.08 | 16,517,173.39 |
| PVC pipes/PE pipes | 106,966,543.51 | 106,168,986.26 | 181,672,775.03 | 141,907,556.35 |
| Engineering income | 38,688,214.37 | 35,549,347.09 | 58,488,602.54 | 51,776,539.45 |
| Other income | 42,559,362.61 | 34,083,357.01 | 42,371,488.92 | 39,895,340.15 |
| Sub-total | 201,301,028.19 | 185,356,837.28 | 292,377,220.57 | 250,096,609.34 |

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Notes to items in the Statement of Income of the Parent Company (continued)

1. Operating income/operating cost (continued)

(2) Breakdown of revenue from contracts with customers by major types (continued)

2) Breakdown of revenue by operating regions

| Item | Current period | | Corresponding period last year | |
|-----------|----------------|----------------|--------------------------------|--------------------|
| | Income | Cost | Income | Cost (restated) |
| Domestic | 201,301,028.19 | 185,356,837.28 | 292,377,220.57 | 250,096,609.34 |
| Sub-total | 201,301,028.19 | 185,356,837.28 | 292,377,220.57 | 250,096,609.34 |

3) Breakdown of revenue by time of transfer of goods or services

| Item | Current period | Corresponding period last year |
|---|----------------|--------------------------------|
| Goods (transfer at a particular point of time) | 162,612,813.82 | 233,888,618.03 |
| Services (provision within a specific period of time) | 38,688,214.37 | 58,488,602.54 |
| Sub-total | 201,301,028.19 | 292,377,220.57 |

(3) Revenue included in the opening book value of contract liabilities recognized in the current period was RMB1,722,713.23.

XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Notes to items in the Statement of Income of the Parent Company (continued)

2. Research and development expenses

| Item | Current period | Corresponding period last year |
|--------------------------------|----------------|--------------------------------|
| Employee remuneration | 1,128,110.78 | 1,523,518.73 |
| Materials | 1,103,963.35 | 5,226,863.18 |
| Labour service fees | 111,699.52 | 1,225,048.95 |
| Technological development fees | 1,044,961.47 | 380,000.00 |
| Travel expenses | 56,431.68 | 198,305.53 |
| Testing and examination fees | 161,154.90 | 45,913.55 |
| Other expenses | 528,241.47 | 907,446.83 |
| Total | 4,134,563.17 | 9,507,096.77 |

3. Investment income

| Item | Current period | Corresponding period last year |
|--|----------------|--------------------------------|
| Return on long-term equity investment accounted with the equity method | -644,860.83 | 13,484.77 |
| Distribution of dividends by subsidiaries | | 149,184.59 |
| Income from financial products | | 663,921.66 |
| Gain on disposal of long-term equity investments | | 28,500.00 |
| Gain on disposal of certain equity investments in subsidiaries | -1,798,753.12 | |
| Investment income from liquidation of subsidiaries | -18,376.21 | |
| Total | -2,461,990.16 | 855,091.02 |

XV. OTHER SUPPLEMENTAL INFORMATION

(I) Non-recurring profit and loss

1. Breakdown of non-recurring profit and loss

| Item | Amount | Note |
|--|--------------|------|
| Profit and loss from disposal of non-current asset, include write-off portion of provision for asset impairment | 399,742.65 | |
| Unauthorized approval of, or with no official approval documents, or accidental tax rebate and exemption | | |
| Government subsidies (other than those closely related to the Company's routine business, in line with national policies and regulation, continuously provided in accordance with certain standard quota or ration) included into the current profit or loss | 4,917,880.77 | |
| Payment for possession of fund acquired from non-financial businesses included in the current profit and loss | | |
| Gains arising from the excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the investment costs for acquisition of the subsidiaries, associates and joint ventures | | |
| Non-monetary asset exchange profit and loss | | |
| Profit and loss from commissioned investment or asset management | | |
| Provision for all assets impairment made for force majeure, such as natural disasters | | |
| Profit and loss from debt restructuring | | |
| Corporate restructuring cost, such as staffing expense and integration cost | | |
| Profit and loss from the portion generated from transactions with unreasonable trading price in excess of fair value | | |

XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

(I) Non-recurring profit and loss *(continued)*

1. Breakdown of non-recurring profit and loss *(continued)*

| Item | Amount | Note |
|--|--------------|------|
| Net profit or loss of subsidiaries from business merger under common control from the beginning of the period to the date of merger | | |
| Profit and loss from contingencies unrelated to normal business operation of the Company | | |
| In addition to effective hedging operations related to the Company's normal business, gains or losses from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and returns on investment acquired from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments | | |
| Reversal of provision for impairment of receivables and contract assets with impairment test performed separately | | |
| Profit and loss from entrusted loan receivable | | |
| Profit or loss from change in fair value of investment property using the fair value model for subsequent measurement | | |
| Effect from one-time adjustment to the current profit or loss required by tax, accounting and other laws and regulations upon the current profit or loss | | |
| Custodian fee income from entrusted operation | | |
| Operating income and expenses other than the above items | 666,086.46 | |
| Other profit and loss items in line with the definition of non-recurring profits and losses | 16,461.33 | |
| Sub-total | 6,000,171.21 | |

XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

(I) Non-recurring profit and loss *(continued)*

1. Breakdown of non-recurring profit and loss *(continued)*

| Item | Amount | Note |
|---|--------------|------|
| Less: Affected amount of EIT (decrease is denoted as “-”) | 60,860.86 | |
| Affected amount of minority interest (after tax) | 250,508.36 | |
| Net non-recurring profit or loss attributable to owners of the Parent Company | 5,688,801.99 | |

2. Description of major non-recurring profit and loss items

For details on government grants included in the profit or loss for the current period, please refer to Note V (IV) 2 to the financial statements.

(II) Rate of return on net assets and earnings per share

1. Breakdown

| Profit during the reporting period | Weighted average return on net assets (%) | Earnings per share (RMB/share) | |
|---|---|--------------------------------|----------------------------|
| | | Basic earnings per share | Diluted earnings per share |
| Net profits attributable to the ordinary shareholders of the Company | -12.44 | -0.13 | -0.13 |
| Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss | -13.50 | -0.14 | -0.14 |

XV. OTHER SUPPLEMENTAL INFORMATION (continued)

(II) Rate of return on net assets and earnings per share (continued)

2. Calculation of weighted average return on net assets

| Item | No. | Current period |
|---|-----------------------------------|----------------|
| Net profits attributable to the ordinary shareholders of the Company | A | -66,836,302.00 |
| Non-recurring profit or loss | B | 5,688,801.99 |
| Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss | C=A-B | -72,525,103.99 |
| Opening balance of net assets attributable to the ordinary shareholders of the Company | D | 570,303,706.28 |
| Net assets attributable to the ordinary shareholders of the Company arising from new shares issuance or conversion of debt to Shares | E | |
| Number of months accumulated from the month after the month of creation of additional net assets to the end of the reporting period | F | |
| Decrease in net assets attributable to the ordinary shareholders of the Company due to repurchase or cash dividend | G | |
| Number of months accumulated from the month after the month of reduction of net assets to the end of the reporting period | H | |
| Others | | |
| Disposal of part of the equity interest in subsidiary Tiancheng Water Saving | J | 460,998.78 |
| Number of months accumulated from the month after the month of addition or reduction of net assets to the end of the reporting period | J | 11.00 |
| Number of months during the reporting period | K | 12.00 |
| | $L=D+A/2+E \times F/$ | |
| Weighted average net assets | $K-G \times H/K \pm I \times J/K$ | 537,308,137.50 |
| Weighted average return on net assets | $M=A/L$ | -12.44% |
| Weighted average return on net assets after non-recurring profit or loss | $N=C/L$ | -13.50% |

XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

(II) Rate of return on net assets and earnings per share *(continued)*

3. Calculation of basic earnings per share and diluted earnings per share

(1) Calculation of basic earnings per share

| Item | No. | Current period |
|---|---|----------------|
| Net profits attributable to the ordinary shareholders of the Company | A | -66,836,302.00 |
| Non-recurring profit or loss | B | 5,688,801.99 |
| Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss | C=A-B | -72,525,103.99 |
| Opening balance of total number of share | D | 519,521,560.00 |
| Number of shares increased due to capitalization of capital reserve or distribution of share dividends | E | |
| Number of shares increased due to new shares issuance or conversion of debt to Shares | F | |
| Number of months accumulated from the month after the month of creation of additional shares to the end of the reporting period | G | |
| Decrease in number of shares due to repurchase | H | |
| Number of months accumulated from the month after the month of reduction of shares to the end of the reporting period | I | |
| Share reduction during the reporting period | J | |
| Number of months during the reporting period | K | 12 |
| Weighted average number of outstanding ordinary shares | $L = D + E + F \times G / (K - H \times I / K - J)$ | 519,521,560.00 |
| Basic earnings per share | M=A/L | -0.13 |
| Basic earnings per share after non-recurring profit or loss | N=C/L | -0.14 |

XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

(II) Rate of return on net assets and earnings per share *(continued)*

3. Calculation of basic earnings per share and diluted earnings per share *(continued)*

(2) Calculation of diluted earnings per share

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

Xinjiang Tianye Water Saving Irrigation System Company Limited

30th March, 2022

Five Years Financial Summary

For the year ended 31st December, 2021

The table below summarizes the audited results, assets and liabilities of the Group for the years ended 31st December, 2021, 2020, 2019, 2018 and 2017.

RESULTS

| | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
|--|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Turnover | 1,111,618 | 706,558 | 624,288 | 536,157 | 738,121 |
| Total comprehensive (loss)/income attributable to owners of the Parent Company | (66,836) | 650 | (47,948) | (47,637) | 1,349 |

ASSETS AND LIABILITIES

| | 2021 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2018 RMB'000 | 2017 RMB'000 |
|---|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Total assets | 964,976 | 946,728 | 869,233 | 957,773 | 1,003,334 |
| Total liabilities | 435,885 | 365,006 | 300,868 | 341,195 | 337,103 |
| Minority interest | 25,163 | 11,418 | 9,075 | 9,340 | 11,532 |
| Total equity attributable to owners of the Parent Company | 503,928 | 570,304 | 559,289 | 607,238 | 654,699 |

Property Interests held by the Group in the PRC

For the year ended 31st December, 2021

| Location of Property | Lease term | Percentage of Interests attributable to the Group | Floor Area (sq.m.) | Use |
|---|------------|---|--------------------|------------|
| 1. A parcel of land and various buildings and structures erected thereon, No. 1 Hong Guang Road, Hami City, Xinjiang Uygur Autonomous Region, the PRC | Long-term | 60% | 4,600.8 | Commercial |
| 2. A parcel of land and various buildings and structures erected thereon, District No. 81, Shihezi Economic and Technological Development Zone, Xinjiang Uygur Autonomous Region, the PRC | Long-term | 100% | 4,491.8 | Commercial |
| 3. Various buildings and structures located on 134 Tuan, Xiayedi Town Shihezi City, Xinjiang Uygur Autonomous Region, the PRC | Long-term | 100% | 4,255.3 | Commercial |
| 4. Various buildings and structures located on Zhijiang Avenue, Akesu Textile Industrial City (Development Zone), Xinjiang Uygur Autonomous Region, the PRC | Long-term | 100% | 12,472.7 | Commercial |