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新疆天业节水灌溉股份有限公司
XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 840)

AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2023

RESULTS REVIEW

- The operating income for the year ended 31st December, 2023 was approximately RMB2,219,336,000, an increase of approximately 50.73% from RMB1,472,400,000 for the year of 2022.
- The net loss attributable to the parent for the year ended 31st December, 2023 was approximately RMB11,555,000 (2022: net loss attributable to the parent of approximately RMB78,122,000).
- Basic and diluted loss per share for the year was approximately RMB0.02 (2022: loss of approximately RMB0.15).

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st December, 2023, together with the comparative figures for the corresponding period in 2022 as follows. These audited annual financial statements have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2023

Item		Current period RMB	Corresponding period last year (Adjusted) RMB
	<i>Notes</i>		
1. Total operating revenue		2,219,335,910.35	1,472,399,994.28
Including: Operating income	6	2,219,335,910.35	1,472,399,994.28
2. Total operating cost		2,218,559,384.36	1,530,021,305.77
Including: Cost of sales	6	2,117,698,897.87	1,448,483,386.70
Business taxes and surcharges		5,443,937.51	4,238,844.29
Distribution costs	7	23,909,969.89	23,078,315.07
Administrative expenses	8	51,385,699.86	44,950,749.25
Research and development expenses		18,441,709.46	6,762,506.43
Finance costs	9	1,679,169.77	2,507,504.03
Add: Other gains		12,806,467.24	7,238,680.22
Investment loss		-603,186.29	-639,064.09
Credit impairment loss	10	-339,747.39	-10,641,590.38
Assets impairment loss	11	-19,661,330.80	-22,931,496.57
Gain on disposal of assets		4,839,101.68	863,853.14

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2023

Item	Notes	Current period RMB	Corresponding period last year (Adjusted) RMB
3. Operating profit (loss is denoted as “-”)		-2,182,169.57	-83,730,929.17
Add: Non-operating income		1,797,464.69	4,005,207.55
Less: Non-operating expenses		2,940,533.90	250,320.67
4. Total profit (loss is denoted as “-”)		-3,325,238.78	-79,976,042.29
Less: Income tax expenses	12	7,137,819.31	1,326,956.95
5. Net profit (loss is denoted as “-”)		-10,463,058.09	-81,302,999.24
(1) 1. Net profit from continuing operation (loss is denoted as “-”)		-10,463,058.09	-81,302,999.24
2. Net profit from discontinued operation (loss is denoted as “-”)		0.00	0.00
(2) 1. Net profit attributable to owners of the parent company (loss is denoted as “-”)		-11,554,963.31	-78,122,417.92
2. Minority interests (loss is denoted as “-”)		1,091,905.22	-3,180,581.32
6. Earnings per share:			
(1) Basic earnings per share (loss is denoted as “-”)	14	-0.02	-0.15
(2) Diluted earnings per share (loss is denoted as “-”)	14	-0.02	-0.15
7. Other comprehensive income		0.00	0.00
8. Total comprehensive income (loss is denoted as “-”)		-10,463,058.09	-81,302,999.24
Total comprehensive income attributable to owners of the parent company (loss is denoted as “-”)		-11,554,963.31	-78,122,417.92
Total comprehensive income attributable to minority interests (loss is denoted as “-”)		1,091,905.22	-3,180,581.32

CONSOLIDATED BALANCE SHEET

As at 31st December, 2023

Item	Notes	Current period RMB	Closing balance at the end of last year (Adjusted) RMB	Opening balance at the end of last year (Adjusted) RMB
Current assets:				
Cash		340,794,909.54	238,772,242.82	171,080,905.39
Trade receivables	15	158,278,023.98	150,904,065.64	177,350,133.49
Receivables financing		6,718,413.01	8,510,375.00	4,921,714.35
Prepayments	16	29,882,363.97	42,566,613.87	26,382,833.79
Other receivables		28,438,067.45	36,479,342.78	24,687,615.50
Inventories	17	258,129,517.76	347,121,169.78	364,562,551.62
Contract assets		162,474,462.64	0.00	0.00
Other current assets		12,845,807.50	7,109,975.10	4,321,880.22
Total current assets		<u>997,561,565.85</u>	<u>831,463,784.99</u>	<u>773,307,634.36</u>
Non-current assets:				
Long-term equity investment	18	711,959.70	1,315,145.99	1,954,210.08
Fixed assets		102,783,553.30	123,881,281.22	132,139,196.37
Construction-in-progress	19	11,099,532.50	8,545,947.82	5,614,607.42
Producing bio-assets	20	35,339,815.58	33,143,983.98	29,102,244.37
Right-of-use assets	21	42,634,886.04	41,691,182.20	47,397,086.43
Intangible assets		18,120,479.38	17,422,707.38	18,980,843.07
Development expenses		3,588,341.35	10,568,709.31	8,472,125.26
Long-term deferred expenses		5,343,934.73	6,077,296.39	7,291,093.86
Deferred income tax assets	22	2,765,661.22	2,335,875.60	2,609,085.34
Other non-current assets		0.00	50,000.00	152,600.00
Total non-current assets		<u>222,388,163.80</u>	<u>245,032,129.89</u>	<u>253,713,092.20</u>
Total assets		<u><u>1,219,949,729.65</u></u>	<u><u>1,076,495,914.88</u></u>	<u><u>1,027,020,726.56</u></u>

CONSOLIDATED BALANCE SHEET

As at 31st December, 2023

Item	Notes	Current period RMB	Closing balance at the end of last year (Adjusted) RMB	Opening balance at the end of last year (Adjusted) RMB
Current liabilities:				
Short-term borrowings		73,971,851.76	89,105,813.89	43,418,100.54
Bill payables	23	1,000,000.00	0.00	0.00
Trade payables	24	436,694,579.29	338,252,074.10	236,070,292.45
Contract liabilities		143,631,853.37	49,192,729.98	48,318,955.69
Employee remuneration payables		5,844,610.54	6,164,154.27	8,153,892.34
Tax and levy payables	25	4,817,586.28	8,717,356.35	3,845,738.16
Other payables		42,820,666.47	43,760,458.57	56,128,696.58
Non-current liabilities due within one year		3,092,473.24	2,676,912.83	5,846,769.64
Other current liabilities		7,483,925.13	3,803,877.62	3,924,486.82
Total current liabilities		719,357,546.08	541,673,377.61	405,706,932.22
Non-current liabilities:				
Lease liabilities		43,926,450.34	41,242,207.43	43,615,956.46
Deferred income		5,959,430.95	16,224,673.93	13,390,484.86
Deferred income tax liabilities		36,000.00	99,608.62	0.00
Total non-current liabilities		49,921,881.29	57,566,489.98	57,006,441.32
Total liabilities		769,279,427.37	599,239,867.59	462,713,373.54
Equity of owners:				
Share capital		519,521,560.00	519,521,560.00	519,521,560.00
Capital reserve		23,083,758.62	39,206,445.54	38,948,138.96
Surplus reserve		34,724,097.27	34,724,097.27	34,724,097.27
Undistributed profit (loss is denoted as “-”)		-160,982,786.40	-149,427,823.09	-71,305,405.17
Total equity attributable to owners of the parent company		416,346,629.49	444,024,279.72	521,888,391.06
Minority interests		34,323,672.79	33,231,767.57	42,418,961.96
Total equity of owners		450,670,302.28	477,256,047.29	564,307,353.02
Total liabilities and equity of owners		1,219,949,729.65	1,076,495,914.88	1,027,020,726.56

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

Expressed in RMB

1. CORPORATE BACKGROUND

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

In 2023, Xinjiang Tianye Co., Ltd.* (新疆天業股份有限公司) transferred 38.91% equity interest so held to Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司) (hereinafter referred to as “Tianye Group”). Upon the equity transfer, the shareholding structure of the Company is: 60.42% of the Company’s share is held by Tianye Group; 0.46% of the Company’s share is held by China Academy of Machinery Science and Technology Group Co., Ltd.* (中國機械科學總院集團有限公司); 0.16% of the Company’s share is held by Shihezi State-owned Assets Management (Group) Co., Ltd. (石河子國有資產經營(集團)有限公司); 38.96% of all issued capital of the Company is held by H Shareholders (holders of foreign listed foreign investment shares).

The Company operates in the plastic product manufacturing industry. Its business scope mainly covers production and sales of PVC materials for water supply pipes, PE piping materials and accessories, pressure compensatory drip tapes, labyrinth-style drip tapes, embedded-style drip tapes, and agricultural tapes and drippers. It engages in water-saving irrigation project construction and installation, with an annual production capacity of 6 million tonnes of agricultural tapes, water saving drip irrigation devices and ancillary capabilities, is the first domestic one-stop water-saving irrigation service provider integrating production, research and development, sales, training, engineering services and technology export.

These financial statements had been approved by the fifteen meeting of the seventh session of the Board on 28th March, 2024 for publication.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

1. CORPORATE BACKGROUND (Continued)

The Company included 14 subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd* (甘肅天業節水有限公司) (hereinafter referred to as “Gansu Tianye”), Kuitun Tiantun Water Saving Co., Ltd* (奎屯天屯節水有限責任公司) (hereinafter referred to as “Kuitun Water Saving”), Akesu Tianye Water Saving Co., Ltd* (阿克蘇天業節水有限公司) (hereinafter referred to as “Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd* (石河子市天誠節水器材有限公司) (hereinafter referred to as “Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd* (遼寧天業節水灌溉有限公司) (hereinafter referred to as “Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd* (新疆天業南疆節水農業有限公司) (hereinafter referred to as “Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited* (中新農現代節水科技有限公司) (hereinafter referred to as “Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited* (新疆天業智慧農業科技有限公司) (hereinafter referred to as “Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (石河子西域水利水電建築安裝工程有限責任公司) (hereinafter referred to as “Xiyu Water Conservancy”), Shihezi Tianye Xiying Water Saving Device Co., Ltd.* (石河子市天業西營節水器材有限責任公司) (hereinafter referred to as “Xiying Water Saving”), Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.* (遼寧天阜生態農業發展集團有限公司) (hereinafter referred to as “Tianfu Ecological”), Xinjiang Hongrui Huixin New Material Technology Co., Ltd.* (新疆泓瑞匯鑫新材料科技有限公司) (hereinafter referred to as “Hongrui Huixin”), Xinjiang Tianye Modern Agricultural Technology Co., Ltd.* (新疆天業現代農業科技有限公司) (hereinafter referred to as “Modern Agricultural”), and Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子絲路天楊預拌砂有限公司) (hereinafter referred to as “Silu Tianyang”) into the consolidated financial statements for the period. For details, please refer to the change in the scope of consolidation and information on interests in other entities as set forth in the notes to these financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation

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

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Continue as a going concern

These financial statements are prepared on a going concern basis.

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

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

3.1 Statement of compliance with the Accounting Standards for Business Enterprises

These financial statements are in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance, and give a true and complete view on the consolidated and parent company's financial position as at 31st December, 2023 as well as the consolidated and parent company's operating results and cash flow for year 2023 for the Company.

3.2 Accounting Period

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

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company adopts Renminbi as the functional currency.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

1. *Criteria for determining control*

The consolidation scope of consolidated financial statements is determined based on control, and it includes the Company and all subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

2. Consolidation procedures

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

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

3.7 Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

- (1) *Implementation of the provisions of Interpretation No. 16 of the Accounting Standards for Business Enterprises "accounting treatment for waiver for initial recognition not applicable to deferred income tax related to assets and liabilities arising from a single transaction"*

The Ministry of Finance promulgated Interpretation No. 16 of the Accounting Standards for Business Enterprises (Cai Hui [2022] No. 31) (hereinafter referred to as "Interpretation No. 16") on 30th November, 2022, of which the provision of "accounting treatment for waiver for initial recognition not applicable to deferred income tax related to assets and liabilities arising from a single transaction" is effective from 1st January, 2023.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

1. *Changes in significant accounting policies (Continued)*

- (1) *Implementation of the provisions of Interpretation No. 16 of the Accounting Standards for Business Enterprises “accounting treatment for waiver for initial recognition not applicable to deferred income tax related to assets and liabilities arising from a single transaction” (Continued)*

Interpretation No. 16 requires that for a single transaction which is not business combination and does not affect either accounting profit or taxable income tax (or deductible losses) at the time of transaction, and which the assets and liabilities initially recognized would result in equivalent taxable temporary difference and deductible temporary difference (including a lease transaction where the lessee initially recognizes lease liabilities at the lease commencement date and includes right-of-use assets, and a single transaction such as a transaction which recognizes estimated liabilities and includes relevant costs of assets due to the existence of decommissioning obligation for fixed assets), the requirement of waiver of initially recognized deferred income tax liabilities and deferred income tax assets is not applicable. The enterprise shall, at the occurrence of such transaction, recognize the corresponding deferred income tax liabilities and deferred income tax assets in accordance with relevant requirements such as the Accounting Standards for Business Enterprises No. 18 — Income Tax.

For a single transaction which occurs between the beginning of the earliest period presented in the financial statements in which such requirement is first applied to the effective date and such requirement is applicable thereto, and for a single transaction which recognizes lease liabilities and use-of-right assets at the beginning of the earliest presented in the financial statements in which such requirement is applied to and where the recognized estimated liabilities related to decommissioning obligation and the corresponding related assets result in taxable temporary difference and deductible temporary difference, the enterprise shall make adjustments in accordance with such requirement.

2. *Changes in significant accounting estimates*

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

4. TAXATION

Disclosure of taxpayers with various income tax rates

Name of taxpayer	Income tax rate (%)
The Company, Gansu Tianye, Akesu Tianye, Tiancheng Water Saving, Zhongxinnong Water Saving and Xiyu Water Conservancy	15
Kuitun Water Saving, Liaoning Tianye, Xiying Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Hongrui Huixin and Modern Agricultural	20
Silu Tianyang, Tianfu Ecological	25

Income tax

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

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

The above preferential taxation policies are applicable to subsidiaries including Kuitun Water Saving, Liaoning Tianye, Xiying Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Hongrui Huixin and Modern Agricultural.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

5. CHANGE IN THE SCOPE OF CONSOLIDATION

Business combinations under common control

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

Name of the combined party	Percentage of interest obtained in business combinations	Basis for business under common control	Date of combination	Basis for determining the date of combination	Revenue of the combined party from the beginning of the period of combination to the date of combination	Net profit of the combined party from the beginning of the period of combination to the date of combination	Revenue of the combined party during the comparative period	Net profit of the combined party during the comparative period
Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.	51.00%	The transferor and the Company has the same parent company	2023/2/28	Confirmation of Delivery of Equity	343.37	-497,426.01	0.00	-261,382.52

(2) Cost of combination

Item	Silu Tianyang
Cash	16,122,686.92
Carrying amount of non-cash assets	0.00
Carrying amount of debts issued or committed	0.00
Nominal amount of equity securities issued	0.00
Contingent consideration	0.00
Total cost of combination	<u>16,122,686.92</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

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

Item	Silu Tianyang	
	At the date of combination	End of the previous period
Assets:	45,150,100.86	48,917,664.33
Cash	378,269.76	25,763.37
Bill receivables	4,100,000.00	0.00
Trade receivables	24,013,329.40	27,909,700.08
Receivables financing	0.00	0.00
Prepayments	931,535.59	0.00
Other receivables	0.00	5,042,662.05
Inventories	5,604,185.28	5,716,505.22
Other current assets	165,812.37	31,797.68
Fixed assets	7,741,335.91	8,031,418.38
Construction-in-progress	70,400.00	2,093,594.50
Intangible assets	2,079,009.50	0.00
Deferred income tax assets	66,223.05	66,223.05
	<hr/>	<hr/>
Liabilities:	15,109,718.98	18,379,856.44
Trade payables	4,356,111.34	7,010,294.80
Contract liabilities	69,476.00	61,554.37
Employee remuneration payables	251,412.11	241,037.34
Tax payables	226,008.94	445,181.71
Other payables	10,206,710.59	10,619,941.59
Other current liabilities	0.00	1,846.63
	<hr/>	<hr/>
Net asset	30,040,381.88	30,537,807.89
	<hr/>	<hr/>
Less: Minority interests	12,239,271.31	12,483,010.06
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Net asset obtained	17,801,110.57	18,054,797.83
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NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

6. OPERATING INCOME/COST OF SALES

(1) Breakdown

Item	Current period		Corresponding period last year (Adjusted)	
	Income	Cost	Income	Cost
Principal businesses	2,142,554,912.55	2,063,430,522.12	1,389,161,453.89	1,363,804,044.40
Other businesses	<u>76,780,997.80</u>	<u>54,268,375.75</u>	<u>83,238,540.39</u>	<u>84,679,342.30</u>
Total	<u>2,219,335,910.35</u>	<u>2,117,698,897.87</u>	<u>1,472,399,994.28</u>	<u>1,448,483,386.70</u>
Of which: income generated from customer contracts	<u>2,215,999,167.95</u>	<u>2,116,171,287.09</u>	<u>1,470,317,415.03</u>	<u>1,447,306,308.68</u>

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

Project	Current period		Corresponding period last year (Adjusted)	
	Income	Cost	Income	Cost
Project income	1,045,367,215.53	1,017,402,605.21	379,856,532.84	361,354,015.73
Trading income	615,255,583.23	610,449,470.95	778,226,940.09	774,775,503.09
PVC pipes/PE pipes	341,020,510.79	307,964,351.53	164,140,973.63	161,131,207.03
Building materials	80,625,646.48	71,960,940.95	28,940,250.86	25,781,456.92
Drip tape and drip assemblies	60,285,956.52	55,653,153.48	37,996,756.47	40,761,861.63
Other businesses	<u>73,444,255.40</u>	<u>52,740,764.97</u>	<u>81,155,961.14</u>	<u>83,502,264.28</u>
Total income generated from customer contracts	<u>2,215,999,167.95</u>	<u>2,116,171,287.09</u>	<u>1,470,317,415.03</u>	<u>1,447,306,308.68</u>

(3) Breakdown of income generated from customer contracts (by region of operation)

Project	Current period	Corresponding period last year (Adjusted)
Domestic	<u>2,215,999,167.95</u>	<u>1,470,317,415.03</u>
Sub-total	<u>2,215,999,167.95</u>	<u>1,470,317,415.03</u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2023

7. DISTRIBUTION COSTS

Item	Current period	Corresponding period last year (Adjusted)
Salaries, benefits and social security contributions	14,412,395.62	13,279,794.01
Sale service fee	3,994,194.92	3,188,350.02
Materials consumptions	770,062.27	292,514.10
Tender fees	986,521.29	489,726.40
Travel expenses	766,972.15	637,303.03
Rental expenses	165,324.04	909,144.81
Depreciation charge	535,223.55	1,648,341.55
Others	2,279,276.05	2,633,141.15
	<u>23,909,969.89</u>	<u>23,078,315.07</u>
Total	<u>23,909,969.89</u>	<u>23,078,315.07</u>

8. ADMINISTRATIVE EXPENSES

(1) Breakdown

Item	Current period	Restated Corresponding period last year (Adjusted)
Salaries benefits and social security contributions	29,583,128.78	26,409,657.41
Losses from work suspension	827,352.57	0.00
Service fees	529,688.55	1,139,401.93
Depreciation and amortization charge	5,619,736.00	5,533,952.57
Agency service fees	5,447,757.57	3,509,270.96
Travel expenses	1,198,436.84	805,059.80
Car expenses	441,118.79	274,020.26
Lease fees	754,406.68	885,860.68
Water, electricity, and heating fees	724,269.96	463,636.78
Office costs	565,371.77	242,488.40
Others	5,694,432.35	5,687,400.46
	<u>51,385,699.86</u>	<u>44,950,749.25</u>
Total	<u>51,385,699.86</u>	<u>44,950,749.25</u>

(2) Included in the administrative expenses for the year was RMB0.73 million of auditor's remuneration (2022: RMB0.75 million).

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2023

9. FINANCE COSTS

Item	Current period	Corresponding period last year (Adjusted)
Interest expenses	3,309,026.54	2,994,011.91
Including: Interest expenses of lease liabilities	347,114.25	292,408.08
Less: Interest income	1,800,578.83	634,411.96
Add: Exchange gain	0.00	-0.62
Add: Commission and other expenses	170,722.06	147,904.70
	<hr/>	<hr/>
Total	1,679,169.77	2,507,504.03
	<hr/> <hr/>	<hr/> <hr/>

10. CREDIT IMPAIRMENT LOSS

Item	Current period	Corresponding period last year (Adjusted)
Bad debt loss	339,747.39	10,641,590.38
	<hr/>	<hr/>
Total	339,747.39	10,641,590.38
	<hr/> <hr/>	<hr/> <hr/>

11. ASSETS IMPAIRMENT LOSS

Item	Current period	Corresponding period last year (Adjusted)
Inventory impairment loss	10,834,394.76	22,931,496.57
Contract assets impairment loss	1,517,338.48	0.00
Fixed assets impairment loss	7,309,597.56	0.00
	<hr/>	<hr/>
Total	19,661,330.80	22,931,496.57
	<hr/> <hr/>	<hr/> <hr/>

12. INCOME TAX EXPENSES

(1) Breakdown

Item	Current period	Corresponding period last year (Adjusted)
Current income tax charges	7,631,213.55	954,138.59
Deferred income tax charges	-493,394.24	372,818.36
	<hr/>	<hr/>
Total	7,137,819.31	1,326,956.95
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

12. INCOME TAX EXPENSES (Continued)

(2) Reconciliation between accounting profit and income tax expenses

Item	Current period	Corresponding period last year (Adjusted)
Total profits	-3,325,238.78	-79,976,042.29
EIT charges at the statutory or applicable tax rate	-498,785.81	-11,996,406.35
Effect of different tax rates applicable to subsidiaries	1,237,246.17	1,855,902.10
Effect of prior period income tax adjustment	3,133,466.97	193,404.45
Tax effect of expenses not deductible	176,712.36	156,310.24
Effect of deductible temporary differences that have not recognized for deferred income tax asset during the prior period	-651,243.22	-83,384.17
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax asset during the period (<i>Note</i>)	4,776,937.80	11,811,215.61
Profit or loss attributable to associates and joint ventures	90,477.94	95,859.61
Tax effect of super deduction	-557,951.37	705,944.55
Others	-569,041.52	0.00
Total	<u>7,137,819.31</u>	<u>1,326,956.95</u>

(3) No profits tax in Hong Kong was levied because the Company and its subsidiaries did not generate profits in Hong Kong or gain profits from Hong Kong in 2023 and 2022.

13. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2023 (2022: Nil).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

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

(1) Basic earnings per share

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

Item	Current period	Corresponding period last year (Adjusted)
Consolidated net profits attributable to the ordinary shareholders of the parent company	-11,554,963.31	-78,122,417.92
Weighted average number of outstanding ordinary shares of the Company	519,521,560.00	519,521,560.00
Basic earnings per share	-0.02	-0.15
Including: Basic earnings per share from continuing operations	-0.02	-0.15
Basic earnings per share from discontinued operations	0.00	0.00

(2) Calculation of diluted earnings per share

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

15. TRADE RECEIVABLES

(1) Aging analysis of trade receivables based on the actual month of occurrence is as follows:

Age	Closing balance	Opening balance (Adjusted)
Within 1 year	101,043,813.85	85,085,585.95
1-2 years	26,950,858.64	33,501,663.44
2-3 years	21,609,479.27	16,380,009.49
3-4 years	10,952,360.28	19,584,583.27
4-5 years	17,758,031.99	31,110,648.81
Over 5 years	44,898,714.73	29,976,497.56
Sub-total	223,213,258.76	215,638,988.52
Less: provision for bad debt	64,935,234.78	64,734,922.88
Total	158,278,023.98	150,904,065.64

Note: The aging analysis of trade receivables is based on the actual month of occurrence of the amount.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

15. TRADE RECEIVABLES (Continued)

(2) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Bad-debt provision Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	21,757,868.93	9.75	21,757,868.93	100.00	0.00
Bad debt provision made in portfolio	<u>201,455,389.83</u>	<u>90.25</u>	<u>43,177,365.85</u>	<u>21.43</u>	<u>158,278,023.98</u>
Total	<u><u>223,213,258.76</u></u>	<u><u>100.00</u></u>	<u><u>64,935,234.78</u></u>	<u><u>29.09</u></u>	<u><u>158,278,023.98</u></u>

Category	Book balance		Closing balance at the end of last year (Adjusted)		Carrying amount
	Amount	Percentage (%)	Amount	Bad-debt provision Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	27,844,705.74	12.91	27,844,705.74	100.00	0.00
Bad debt provision made in portfolio	<u>187,794,282.78</u>	<u>87.09</u>	<u>36,890,217.14</u>	<u>19.64</u>	<u>150,904,065.64</u>
Total	<u><u>215,638,988.52</u></u>	<u><u>100.00</u></u>	<u><u>64,734,922.88</u></u>	<u><u>30.02</u></u>	<u><u>150,904,065.64</u></u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2023

16. PREPAYMENTS

(1) Aging analysis

Carrying amount	Closing balance			Carrying amount	Closing balance at the end of last year (Adjusted)			Carrying amount
	Book balance	Percentage (%)	Provision for impairment		Book balance	Percentage (%)	Provision for impairment	
Within 1 year	21,483,222.82	71.89	—	21,483,222.82	39,349,118.43	92.44	—	39,349,118.43
1-2 years	8,034,510.51	26.89	—	8,034,510.51	2,489,288.02	5.85	—	2,489,288.02
2-3 years	169,223.02	0.57	—	169,223.02	711,302.52	1.67	—	711,302.52
Over 3 years	195,407.62	0.65	—	195,407.62	16,904.90	0.04	—	16,904.90
Total	<u>29,882,363.97</u>	<u>100.00</u>	<u>—</u>	<u>29,882,363.97</u>	<u>42,566,613.87</u>	<u>100.00</u>	<u>—</u>	<u>42,566,613.87</u>

(2) Top 5 prepayments

Name of entity	Book balance	Percentage to prepayments balance (%)
Xinjiang Tianye Company Limited	4,148,584.62	13.88
Zhongtai Xingyu Construction Group Co., Ltd.* (中泰星宇建設集團有限公司)	2,995,830.00	10.03
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	2,075,916.95	6.95
Northwestern Chemical Sales Branch of PetroChina Company Limited* (中國石油天然氣股份有限公司西北化工銷售分公司)	2,067,893.48	6.92
Xinxiang County Urban Development and Investment Group Co., Ltd.* (新鄉縣城市發展投資集團有限公司)	<u>2,051,607.90</u>	<u>6.87</u>
Sub-total	<u>13,339,832.95</u>	<u>44.65</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

17. INVENTORIES

(1) Breakdown

Item	Book balance	Closing balance		Closing Balance at the end of last year (Adjusted)		
		Provision for impairment of inventories/ impairment provision for contract performance cost	Carrying amount	Book balance	Provision for impairment of inventories/ impairment provision for contract performance cost	Carrying amount
Raw materials	102,602,057.00	16,517,606.14	86,084,450.86	143,042,220.44	19,539,366.22	123,502,854.22
Revolving materials	48,055.78	48,055.78	0.00	48,055.78	48,055.78	0.00
Self-manufactured semi-finished products and work-in-progress	2,351,871.86	0.00	2,351,871.86	6,164,132.03	0.00	6,164,132.03
Finished goods	133,223,596.71	16,122,353.03	117,101,243.68	154,757,241.81	26,759,844.11	127,997,397.70
Contract performance costs	41,525,852.22	0.00	41,525,852.22	82,252,567.57	0.00	82,252,567.57
Entrusted processing materials	11,799,811.90	733,712.76	11,066,099.14	7,533,460.68	329,242.42	7,204,218.26
Total	<u>291,551,245.47</u>	<u>33,421,727.71</u>	<u>258,129,517.76</u>	<u>393,797,678.31</u>	<u>46,676,508.53</u>	<u>347,121,169.78</u>

(2) Provision for impairment of inventories

1) Breakdown

Item	Opening balance (Adjusted)		Provision Increase during the period		Decrease during the period Write-back or write-off		Closing balance
Raw materials	19,539,366.22	5,427,400.68	8,449,160.76	16,517,606.14			
Revolving materials	48,055.78	0.00	0.00	48,055.78			
Finished goods	26,759,844.11	5,002,523.74	15,640,014.82	16,122,353.03			
Entrusted processing materials	329,242.42	404,470.34	0.00	733,712.76			
Sub-total	<u>46,676,508.53</u>	<u>10,834,394.76</u>	<u>24,089,175.58</u>	<u>33,421,727.71</u>			

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

18. LONG-TERM EQUITY INVESTMENTS

Item	Book balance	Closing balance	Carrying amount	Opening balance (Adjusted)		
		Provision for impairment		Book balance	Provision for impairment	Carrying amount
Investments in associates	<u>711,959.70</u>	<u>0.00</u>	<u>711,959.70</u>	1,315,145.99	<u>0.00</u>	<u>1,315,145.99</u>
Total	<u><u>711,959.70</u></u>	<u><u>0.00</u></u>	<u><u>711,959.70</u></u>	<u>1,315,145.99</u>	<u><u>0.00</u></u>	<u><u>1,315,145.99</u></u>

19. CONSTRUCTION-IN-PROGRESS

Item	Book balance	Closing balance	Carrying amount	Closing balance at the end of last year (Adjusted)		
		Provision for impairment		Book balance	Provision for impairment	Carrying amount
Construction project of 2*180m ³ /h commercial concrete production line and supporting facilities	<u>7,897,012.71</u>		<u>7,897,012.71</u>			
Modern agricultural science and technology demonstration base project	<u>2,681,330.89</u>		<u>2,681,330.89</u>	2,681,330.89		2,681,330.89
VOCs management devices	<u>331,528.78</u>		<u>331,528.78</u>			
Infrastructure construction project at Linze Plant Phase 2 (exhibition hall, gate hall, conference room, plant greening, public health)	<u>136,689.82</u>		<u>136,689.82</u>			
Infrastructure construction project at Linze Plant Phase 3 (fire renovation of production workshop)	<u>52,970.30</u>		<u>52,970.30</u>			
Farmland reclamation fee				2,093,594.50		2,093,594.50
Development and application of high-performance pressure compensation irrigators				1,410,205.38		1,410,205.38
Water-saving equipment production and construction project				1,283,647.27		1,283,647.27
Workshop renovation at Linze Plant				<u>1,077,169.78</u>		<u>1,077,169.78</u>
Total	<u><u>11,099,532.50</u></u>		<u><u>11,099,532.50</u></u>	<u>8,545,947.82</u>		<u><u>8,545,947.82</u></u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

20. PRODUCING BIO-ASSETS

(1) Productive biological assets measured under the cost model

Item	Agricultural industry citrus	Total
1. Initial carrying amount		
(1) Closing balance at the end of last year (Adjusted)	35,277,524.94	35,277,524.94
(2) Increase during the period	1,156,832.71	1,156,832.71
— Additions	1,156,832.71	1,156,832.71
(3) Decrease during the period		
(4) Closing balance	36,434,357.65	36,434,357.65
2. Accumulated depreciation		
(1) Closing balance at the end of last year (Adjusted)	2,133,540.96	2,133,540.96
(2) Increase during the period	-1,038,998.89	-1,038,998.89
— Provision	-1,038,998.89	-1,038,998.89
(3) Decrease during the period		
(4) Closing balance	1,094,542.07	1,094,542.07
3. Provision for impairment		
(1) Closing balance at the end of last year (Adjusted)		
(2) Increase during the period		
(3) Decrease during the period		
(4) Closing balance		
4. Carrying amount		
(1) Carrying amount at the end of the period	35,339,815.58	35,339,815.58
(2) Carrying amount at the end of last year (Adjusted)	<u>33,143,983.98</u>	<u>33,143,983.98</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2023

21. RIGHT-OF-USE ASSETS

Item	Properties and buildings	Land use rights	Machinery and equipment	Total
1. Initial carrying amount				
(1) Closing balance at the end of last year (Adjusted)	4,006,729.21	44,093,628.69	161,538.91	48,261,896.81
(2) Increase during the period	4,386,674.36	2,600,943.52	147,132.93	7,134,750.81
— Additions of lease	4,386,674.36	2,600,943.52	147,132.93	7,134,750.81
(3) Decrease during the period	2,001,314.99			2,001,314.99
— Disposal	2,001,314.99			2,001,314.99
(4) Closing balance	6,392,088.58	46,694,572.21	308,671.84	53,395,332.63
2. Accumulated depreciation				
(1) Closing balance at the end of last year (Adjusted)	1,611,364.23	4,900,608.95	58,741.43	6,570,714.61
(2) Increase during the period	1,179,589.12	4,041,823.52	103,076.44	5,324,489.08
— Provision	1,179,589.12	4,041,823.52	103,076.44	5,324,489.08
(3) Decrease during the period	1,134,757.10			1,134,757.10
— Disposal	1,134,757.10			1,134,757.10
(4) Closing balance	1,656,196.25	8,942,432.47	161,817.87	10,760,446.59
3. Provision for impairment				
(1) Closing balance at the end of last year (Adjusted)				
(2) Increase during the period				
(3) Decrease during the period				
(4) Closing balance				
4. Carrying amount				
(1) Carrying amount at the end of the period	4,735,892.33	37,752,139.74	146,853.97	42,634,886.04
(2) Carrying amount at the end of last year (Adjusted)	<u>2,395,364.98</u>	<u>39,193,019.74</u>	<u>102,797.48</u>	<u>41,691,182.20</u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2023

22. DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES

(1) Deferred Income Tax Assets Un-eliminated

Item	Closing balance		Opening balance (Adjusted)	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	16,771,691.81	2,789,141.35	22,362,697.96	2,214,865.06
Deductible losses	0.00	0.00	4,015,600.12	100,390.00
Lease liabilities	<u>42,302,615.57</u>	<u>6,656,563.91</u>	<u>41,206,241.80</u>	<u>6,335,995.94</u>
Total	<u>59,074,307.38</u>	<u>9,445,705.26</u>	<u>67,584,539.88</u>	<u>8,651,251.00</u>

(2) Deferred Income Tax Liabilities Un-eliminated

Item	Closing balance		Closing balance at the end of last year (Adjusted)	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets	<u>42,634,886.04</u>	<u>6,716,044.04</u>	<u>41,691,182.20</u>	<u>6,414,984.02</u>
Total	<u>42,634,886.04</u>	<u>6,716,044.04</u>	<u>41,691,182.20</u>	<u>6,414,984.02</u>

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

Item	At the end of the period		At the end of last year (Adjusted)	
	Amount eliminated between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after elimination	Amount eliminated between deferred income tax assets and liabilities	Balance of deferred income tax assets or liabilities after elimination
Deferred income tax assets	<u>6,680,044.04</u>	<u>2,765,661.22</u>	<u>6,315,375.40</u>	<u>2,335,875.60</u>
Deferred income tax liabilities	<u>6,680,044.04</u>	<u>36,000.00</u>	<u>6,315,375.40</u>	<u>99,608.62</u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2023

23. BILL PAYABLES

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

24. TRADE PAYABLES

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

Age	Closing balance	Opening balance (Adjusted)
Within 1 year	324,488,446.44	222,023,653.12
1–2 years	44,088,808.50	82,928,960.64
2–3 years	45,800,697.26	13,966,054.99
Over 3 years	<u>22,316,627.09</u>	<u>19,333,405.35</u>
Total	<u>436,694,579.29</u>	<u>338,252,074.10</u>

Note: The aging analysis of trade payables is based on the actual month of occurrence of the amount.

25. TAX AND LEVY PAYABLES

Item	Closing balance	Opening balance (Adjusted)
EIT	632,223.79	377,523.25
Value-added tax	3,188,954.85	7,462,717.36
Individual income tax	127,765.13	254,708.94
City maintenance and construction tax	291,986.42	228,652.80
Education surcharge (Including local education surcharge)	193,590.44	168,793.76
Property tax	0.00	40,492.71
Other taxes	<u>383,065.65</u>	<u>184,467.53</u>
Total	<u>4,817,586.28</u>	<u>8,717,356.35</u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2023, operating income of the Group was approximately RMB2,219,336,000, representing an increase of approximately 50.73% from approximately RMB1,472,400,000 for the year ended 31st December, 2022.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2023 and 31st December, 2022 by products:

Category	For the year ended 31st December, 2023		For the year ended 31st December, 2022 (Adjusted)		Year- on-year percentage change %
	Operating income <i>RMB'000</i>	% to total operating income %	Operating income <i>RMB'000</i>	% to total operating income %	
Project income	1,045,367	47.10	379,856	25.80	175.20
Trading income	615,256	27.72	778,227	52.85	-20.94
PVC/PE pipelines	341,020	15.37	164,141	11.15	107.76
Building materials	80,626	3.63	28,940	1.97	178.60
Drip tape and drip assemblies	60,286	2.72	37,997	2.58	58.66
Other operating income	76,781	3.46	83,239	5.65	-7.76
Total	<u>2,219,336</u>	<u>100.00</u>	<u>1,472,400</u>	<u>100.00</u>	<u>50.73</u>

For the year ended 31st December, 2023, trading income decreased by 20.94% to approximately RMB615,256,000 from approximately RMB778,227,000 in the last year and project income increased by 175.20% to approximately RMB1,045,367,000 from approximately RMB379,856,000 in the last year. Sales of drip tape and drip assemblies increased by approximately 58.66% to approximately RMB60,286,000, while sales of PVC/PE pipelines increased by approximately 107.76% to approximately RMB341,020,000. At the same time, the sales volume of drip tape and drip assemblies increased from approximately 4,300 tonnes to approximately 5,500 tonnes, while the sales volume of PVC/PE pipelines increased from approximately 23,110 tonnes in the last year to approximately 43,987 tonnes.

Gross profit and gross profit margin

Gross profit and gross profit margin increased from approximately RMB23,916,000 and 1.62% for the year ended 31st December, 2022 to approximately RMB101,637,000 and 4.58% for the year ended 31st December, 2023, respectively, mainly attributable to the increase in the sales of products of the Company and the rise in gross profit margin of the products.

Cost of sales

For the year ended 31st December, 2023, cost of sales of the Group was approximately RMB2,117,699,000, representing an increase of approximately 46.20% from approximately RMB1,448,483,000 for the year ended 31st December, 2022. Costs of sales for the year ended 31st December, 2023 comprised direct materials costs of approximately RMB1,572,180,000, direct labour costs of approximately RMB424,810,000 and production overhead of approximately RMB120,709,000, which accounted for approximately 74.24%, 20.06% and 5.70%, respectively, of the total costs of sales for year 2023. Costs of sales for the year ended 31st December, 2022 comprised direct materials costs of approximately RMB1,086,652,000, direct labour costs of approximately RMB282,164,000 and production overhead of approximately RMB79,667,000, which accounted for approximately 75.02%, 19.48% and 5.50%, respectively, of the total costs of sales for year 2022.

Distribution costs

Distribution costs were approximately RMB23,910,000 for the year ended 31st December, 2023, representing a slight increase of approximately 3.60% from 2022. The amount accounted for approximately 1.08% of the total operating income for the year ended 31st December, 2023, which was approximately 0.50% lower than its share of total operating income of approximately 1.58% in the last year. Distribution costs mainly comprised salaries benefits fees and sales service fee, etc. The increase in selling expenses in 2023 was mainly due to the increase in annual sales income, which resulted in the increase in sales service fee and salaries benefits fees.

Administrative expenses

Administrative expenses increased by approximately 14.32% from 2022 to approximately RMB51,386,000 for the year ended 31st December, 2023. The amount accounted for approximately 2.32% of total operating income for the year ended 31st December, 2023, which dropped by approximately 0.73% from its share of total operating income of approximately 3.05% in the last year. For the year ended 31st December, 2023, agency service fees increased by 55.24% to approximately RMB5,448,000, and salaries benefits fees and social insurance increased by 12.02% to approximately RMB29,583,000, which were the main reasons for the increase in administrative expenses.

Finance income/costs

Finance costs for the year ended 31st December, 2023 was approximately RMB1,679,000, consisting mainly of interest expenses and commission charges, net of interest income, while finance income for the year ended 31st December, 2023 was approximately RMB1,801,000, consisting mainly of interest income.

Assets impairment loss

The assets impairment loss for the year ended 31st December, 2023 was approximately RMB20,001,000, which was mainly generated from provision for impairment of inventories of approximately RMB10,834,000, contract assets impairment loss of RMB1,517,000, fixed assets impairment loss of RMB7,310,000 and bad debt loss of approximately RMB340,000. The assets impairment loss for the year ended 31st December, 2022 was approximately RMB33,573,000, which was mainly generated from provision for impairment of inventories of approximately RMB22,931,000 and bad debt loss of approximately RMB10,642,000. The reasons for the provision of various impairment losses were: a) the impairment of inventories was mainly attributable to the backlog of PE recycled materials resulting from the Company's sales model under which raw materials were supplied for processing and the fall in market value; b) the impairment of contract assets represented the impairment provision for engineering projects that have been completed but have not been settled; c) the main reason for the impairment of fixed assets was that the Company engaged an independent valuer to evaluate the recoverable amount of certain assets and made impairment provisions for fixed assets with indication of impairment.

Total loss

As a result of the factors discussed above, the Group's audited total loss for the year ended 31st December, 2023 was approximately RMB3,325,000 while the total loss for the corresponding period of last year was approximately RMB79,976,000. The Group's total loss accounted for approximately 0.15% of its turnover for the year ended 31st December, 2023 and the total loss accounted for approximately 5.43% of its turnover for the corresponding period of last year.

Net loss attributable to owners of the parent company

As a result of the factors discussed above, the net profit attributable to owners of the parent company had a net loss of approximately RMB11,555,000 for the year ended 31st December, 2023 and a net loss of approximately RMB78,122,000 for the year ended 31st December, 2022. For the two years ended 31st December, 2023 and 2022, the Group's net loss margins were approximately 0.52% and 5.31%, respectively.

FUTURE PROSPECTS

In 2023, with the steady recovery of economic and social activities, the PRC has increased investment in water conservancy infrastructure and accelerated the development of digital twin water conservancy projects. Efforts are being made to strengthen the construction of modern irrigation areas and digital irrigation areas, and to coordinate and foster the development of irrigation areas and high-standard farmland systems. Green economy and water conservation economy are gradually becoming new engines for global economic development, promoting industrial upgrading and economic structural transformation. The Company seizes development opportunities, further improves the deployment of the industrial chain upstream and downstream, increases research and development investment, and expands marketing results. Overall order backlog and operating cash flow show a favorable development trend.

We make every effort to create miracles. Though the road is long, we will reach our destination; though the task is difficult, we will succeed. Year 2024 represents a crucial year for achieving the goals and tasks of the “14th Five-Year Plan”. It is also a key year for the Company to promote transformation and upgrading, and extend, supplement and enhance the value chain. Opportunities and challenges coexist, and risks and uncertainties are intertwined. The Company closely adheres to Tianye Group’s “1+2+2” development strategy and plan, and will continue to focus on the “modern agriculture” sector. We will concentrate on technology leadership, digital empowerment, strengthening the industry value chain, and attracting talent to promote agricultural development. By closely adhering to national policies and seizing opportunities, we will fully strive for high-quality corporate development, create a new chapter for our development, and build ourselves into a billion-dollar agricultural technology company anchored on the water-saving agriculture industry chain.

INDEBTEDNESS

Borrowings

As at 31st December, 2023, the Group had outstanding bank loans of RMB73,972,000 (2022: RMB89,106,000).

Commitments

As at 31st December, 2023, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB730,000 (2022: RMB750,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2023 were approximately 1.39 and 0.97, respectively, while the current ratio and quick ratio as at 31st December, 2022 were 1.53 and 0.80.

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, 2023, capital expenditures of the Group in respect of acquisition of property, plant and equipment, deposit paid for acquisition of property, plant and equipment and prepaid lease payment amounted to approximately RMB574,000 (2022: approximately RMB2,341,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2023, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 16.41% (2022: 18.67%). This was primarily due to the fact that the bank loan amounted to RMB73,972,000 in 2023 and RMB89,106,000 in 2022. 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, 2023.

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, 2023, the Group had no contingent liabilities (2022: Nil).

Events after the reporting period

Events subsequent to the reporting period and up to the date of this announcement are summarised below:

On 30th November, 2023, the Company (as Party B) and Xinjiang Tianye (Group) Limited (as Party A) entered into an acquisition agreement, pursuant to which the Company conditionally agreed to acquire, and Xinjiang Tianye (Group) Limited conditionally agreed to sell, 100% equity interest of Beijing Tianye International Agricultural Engineering and Technology Co., Ltd. at a consideration of RMB20,161,900. The said transaction was approved by the shareholders of the Company on 15th January, 2024.

For further details, please refer to the circular dated 18th December, 2023 as well as the announcements dated 30th November, 2023, 28th December, 2023 and 15th January, 2024 of the Company.

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 2022 and 2023.

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, 2023, the Group had 407 employees (2022: 384) 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 RMB8,357,566.71 for the year ended 31st December, 2023.

According to the Enterprise Annuity Scheme of Xinjiang Tianye (Group) Limited, the Company and its subsidiaries shall pay enterprise annuity for their employees, who are set to receive the accumulated amount on their individual accounts (including principal and investment income) in a lump sum once they retire at the age prescribed by the requirements of the PRC or otherwise become unemployed, the amount of which is included to expenses incurred from the retirement benefits scheme.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 13th February, 2023, Xinjiang Tianye Company Limited* (新疆天業股份有限公司), as the Purchaser, entered into the Asset Transfer Agreement with the Company, as the Vendor, pursuant to which the Company has conditionally agreed to sell, and Xinjiang Tianye Company Limited has conditionally agreed to acquire, a number of housing construction (structures) buildings and equipment owned by the Company (a total of 24 items) at a consideration of RMB26,608,400. The aforementioned transaction was approved by the shareholders of the Company on 31st March, 2023.

Please refer to the circular dated 15th March, 2023 and the announcements dated 13th February, 2023 and 31st March, 2023 of the Company for further details.

Save for the above, for the year ended 31st December, 2023, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

MATERIAL INVESTMENTS

On 25th November, 2022, the Company (as the Purchaser) and Xinjiang Tianhe Yida Investment Co., Ltd.* (新疆天合意達投資有限公司) (as the Vendor) entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Xinjiang Tianhe Yida Investment Co., Ltd. has conditionally agreed to sell, 51% equity interests of Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司) at a consideration of RMB15,647,200. The aforementioned transaction was approved by the shareholders of the Company on 3rd February, 2023.

On 28th February, 2023, the Group signed a confirmation of delivery of equity, completed the acquisition of the 51% equity interest of Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司), and included its financial performance into the consolidated financial statements. Please refer to the circular dated 12th January, 2023 and the announcements dated 25th November, 2022, 1st December, 2022, and 3rd February, 2023 of the Company for further details.

Save for the above, the Group had no significant investment for the year ended 31st December, 2023.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2023 (2022: Nil).

CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to the improvement in its accountability and transparency, and thus further instill confidence of its shareholders and the public. Throughout the year ended 31st December, 2023, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules, as the code of conduct for securities transactions by the Directors and supervisors of the Company. Following specific enquiry made by the Company, all Directors and supervisors of the Company have confirmed that, except as described below, they have complied with the required standards under the Model Code for the year ended 31st December, 2023.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN A COMPETING BUSINESS

For the year ended 31st December, 2023, the Directors are not aware of any business or interest of the Directors, the supervisors, the management shareholders and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31st December, 2023.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual result for the year ended 31st December, 2023, 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, 2023 with the management.

AUDITORS

The Company has appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company and to audit the financial statements for the year ended 31st December, 2023.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2023 will be despatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tianyejieshui.com.cn>) in due course.

APPRECIATION

Finally, I would like to take this opportunity to thank the Group's shareholders and business partners for their support and encouragement to the Group during the past year. I would also like to thank our Directors and all staff member of the Group for their hard work and contribution to the Group.

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

Xinjiang, the PRC, 28 March 2024

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

* For identification purpose only