



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

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

(Stock Code: 00840)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2024

SUMMARY

- Total operating revenue for the six months ended 30th June, 2024 was approximately RMB1,017,421,000, representing an increase of approximately 9.58% from approximately RMB928,462,000 for the corresponding period in the previous year.
- Unaudited net profit for the six months ended 30th June, 2024 was approximately RMB13,857,000, while net profit for the corresponding period in the previous year was approximately RMB7,613,000. The unaudited net profit attributable to owners of the parent company for the six months ended 30th June, 2024 was approximately RMB16,487,000, as compared with the net profit of approximately RMB5,020,000 for the corresponding period in the previous year.
- Basic earnings per share for the six months ended 30th June, 2024 was approximately RMB0.0317 (basic earnings per share for the corresponding period in 2023: RMB0.00966).
- The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2024 (for the corresponding period in 2023: nil).

FOR THE SIX MONTHS ENDED 30TH JUNE, 2024

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2024, together with the comparative figures for the corresponding period in 2023. These unaudited interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	For the six months ended	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
1. Total operating revenue	3	1,017,421	928,462
Including: Other operating income		5,861	12,168
Income from principal businesses		1,011,560	916,294
2. Total operating cost		1,001,086	928,477
Including: Cost of sales		958,824	889,400
Business taxes and surcharges		3,389	1,630
Distribution costs		8,284	13,165
Administrative expenses		27,077	21,933
Research and development expenses		2,738	2,461
Finance (income)/costs		1,388	(111)
Credit impairment loss		(614)	(1)
Add: Other income		2,130	2,915
Gain/(loss) from disposal of assets		—	5,062
3. Operating profits/(losses)		18,465	7,962
Add: Non-operating income		42	434
Non-operating expenses		(315)	(183)
4. Total profits	5	18,192	8,213
Less: Income tax expenses	6	(4,334)	(600)
5. Net profit/(loss)		13,857	7,613
Net (loss)/profit attributable to owners of the parent company		16,487	5,020
Profit/(loss) attributable to minority interests		(2,630)	2,593

		For the six months ended	
		30th June,	
	<i>Notes</i>	2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
6. Profit/(loss) per share — basic	7	RMB0.03173	RMB0.00966
7. Other comprehensive income		—	—
8. Total comprehensive profit/(loss)		13,857	7,613
Total comprehensive profit/(loss) attributable to owners of the parent company		16,487	5,020
Total comprehensive loss attributable to minority interests		<u>(2,630)</u>	<u>2,593</u>
9. Dividend	8	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2024 <i>RMB'000</i> (unaudited)	As at 31st December, 2023 <i>RMB'000</i> (audited)
Current assets:			
		417,649	340,795
	9	227,572	158,278
		13,490	6,718
		91,384	29,882
		56,280	28,438
		368,336	258,130
		—	162,474
		16,275	12,846
		<u>1,190,986</u>	<u>997,562</u>
Total current assets			
Non-current assets:			
		712	712
		100,275	102,784
		12,141	11,100
	10	38,405	35,340
		44,505	42,635
		17,120	18,120
		3,588	3,588
		5,218	5,343
		4,879	2,765
		<u>226,843</u>	<u>222,388</u>
Total non-current assets			
Total assets		<u><u>1,417,829</u></u>	<u><u>1,219,950</u></u>
Current liabilities:			
		53,978	73,972
		0.00	1,000
	11	488,094	436,695
		194,260	143,632
		6,915	5,845
		14,305	4,818
		75,732	42,820
		—	3,092
		—	7,484
Total current liabilities		<u>833,284</u>	<u>719,358</u>

	As at 30th June, 2024 <i>RMB'000</i> (unaudited)	As at 31st December, 2023 <i>RMB'000</i> (audited)
Non-current liabilities:		
Lease liabilities	51,546	43,926
Long-term borrowings	50,000	—
Deferred income	12,321	5,959
Deferred income tax liabilities	906	36
	<u>114,773</u>	<u>49,921</u>
Total non-current liabilities		
	<u>114,773</u>	<u>49,921</u>
Total liabilities	<u>948,057</u>	<u>769,279</u>
Equity of owners:		
Share capital	519,522	519,522
Capital reserve	26,411	23,084
Special reserve	1,917	—
Surplus reserves	34,724	34,724
Retained earnings	(144,496)	(160,983)
	<u>438,078</u>	<u>416,347</u>
Total equity attributable to owners of the parent company		
	<u>438,078</u>	<u>416,347</u>
Minority interests	31,694	34,324
	<u>469,772</u>	<u>450,671</u>
Total equity of owners		
	<u>469,772</u>	<u>450,671</u>
Total liabilities and equity of owners	<u>1,417,829</u>	<u>1,219,950</u>

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the six months ended 30th June, 2024

	Share capital	Capital reserves	Special reserves	Surplus reserves	Retained earnings	Total equity attributable to owners of the parent company	Minority interests	Total equity
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1st January, 2023	519,522	26,456	—	34,724	(154,691)	426,011	20,786	446,797
Total comprehensive income for the period	—	(357)	—	—	5,020	4,663	17,387	22,050
At 30th June, 2023	<u>519,522</u>	<u>26,099</u>	<u>—</u>	<u>34,724</u>	<u>(149,671)</u>	<u>430,674</u>	<u>38,173</u>	<u>468,847</u>
At 1st January, 2024	519,522	23,084	—	34,724	(160,983)	416,347	34,324	450,671
Total comprehensive income for the period	—	3,327	1,917	—	16,487	21,731	(2,630)	19,102
At 30th June, 2024	<u>519,522</u>	<u>26,411</u>	<u>1,917</u>	<u>34,724</u>	<u>(144,496)</u>	<u>438,078</u>	<u>31,694</u>	<u>469,772</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2024

	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash flow generated from operating activities	74,064	(60,277)
Net cash flow generated from investing activities	(20,797)	26,657
Net cash flow generated from financing activities	23,587	(8,900)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	76,854	(42,520)
Balance of cash and cash equivalents at 1st January	340,795	238,746
	<hr/>	<hr/>
Balance of cash and cash equivalents at 30th June	417,649	196,226
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2024

1. GENERAL

Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as the “Company”) was co-founded by the joint investment from Xinjiang Tianye Company Limited 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 (“GEM”) of the Stock Exchange to the Main Board of the Hong Kong Stock Exchange on 24th January, 2008, with its Stock Code changed from 8280 to 0840.

The 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, as well as the land-based agricultural services, 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.

The Company included 16 subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd (hereinafter referred to as “Gansu Tianye”), Xinjiang Tiantun Supply Chain Co., Ltd* (hereinafter referred to as “Tiantun Supply Chain”), Akesu Tianye Water Saving Co., Ltd* (hereinafter referred to as “Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd (hereinafter referred to as “Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd* (hereinafter referred to as “Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd* (hereinafter referred to as “Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited* (hereinafter referred to as “Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited* (hereinafter referred to as “Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (hereinafter referred to as “Xiyu Water Conservancy”), Shihezi Tianye Xiying Water Saving Device Co., Ltd.* (hereinafter referred to as “Xiying Water Saving”), Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.* (hereinafter referred to as “Liaoning Tianfu Ecological”), Xinjiang Hongrui Huixin New Material Technology Co., Ltd.* (hereinafter referred to as “Hongrui New Material”), Xinjiang Tianye Modern Agricultural Technology Co., Ltd. (hereinafter referred to as “Agricultural Technology”), Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* (hereinafter referred to as “Beijing Tianye International”), Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* and Henan Tianye Modern Agricultural Technology Co., Ltd.* (hereinafter referred to as “Henan Tianye”) into the consolidated financial statements for the period. For details, please refer to the change in the scope of consolidation and information on interests in other entities as set forth in the notes to these financial statements.

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

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

The Company's unaudited condensed consolidated financial statements have been prepared on a going concern basis in accordance with the "Accounting Standards for Business Enterprises — Basic Standards" (《企業會計準則 — 基本準則》) and 38 specific accounting standards, subsequent practice notes, interpretations and other relevant regulations (collectively "ASBEs") promulgated by the Ministry of Finance on 15th February, 2006. In addition, the Company has also disclosed relevant financial information required by Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong (the "Listing Rules").

The accounting policies applied are consistent with those as referred to in the annual financial statements for the year ended 31st December, 2023, save for the new and amended standards as set forth below.

3. TOTAL OPERATING REVENUE

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

	For the six months ended	
	30th June,	
	2024	2023
	RMB'000	RMB'000
Drip tapes and drip assemblies	33,274	41,990
PVC/PE pipelines	161,552	115,899
Income from trading	390,258	462,623
Provision of installation services	416,650	266,857
Building materials products	9,826	28,925
Other operating income	5,861	12,168
	<u>1,017,421</u>	<u>928,462</u>

Notes:

1. According to the sales mix of the Group, drip assemblies are usually sold as auxiliary products of drip films. Therefore, drip films and drip assemblies are classified under the same category.
2. Revenue of other business was primarily attributable to income derived from external processing of spare and accessory parts by mechanical workshops and gain from fixed assets leasing.
3. Building materials products are purchased from Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.*

4. BUSINESS AND GEOGRAPHICAL SEGMENT

During the period, the sole principal activity of the Group was the design, manufacture, installation and sales of irrigation system and equipment and related operations in the PRC and accordingly, no analysis of business and geographical segment is presented.

5. TOTAL PROFITS

	For the six months ended 30th June,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Total profits have been arrived at after charging:		
Depreciation	13,297	14,308
and after crediting:		
Bank interest income	<u>550</u>	<u>1,568</u>

6. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Enterprise Income Tax (“EIT”)	<u>4,334</u>	<u>600</u>

- (1) On 19th October, 2020, the Company obtained the high-tech enterprise certificate with the certificate number of GR202065000139 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 and Zhongxinnong Water Saving were subjected to an 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 Notice of the Ministry of Finance and the State Taxation Administration on the Implementation of Income Tax Preferential Policies for Small and Micro Enterprises and Individual Businesses” ([2021] No. 12) and the Notice of the Ministry of the Finance and the State Taxation Administration on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises ([2022] No. 13), the subsidiaries (including Kuitun Water Saving, Liaoning Tianye, Xiyong Water Saving, Xiyu Water Conservancy, Wisdom Agriculture, Nanjiang Water Saving, Tianfu Ecological, Hongrui Plastic and Modern Agricultural) are entitled to enjoy income tax preferential policies for small and micro enterprises. The portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 12.5% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 25% of this portion of its taxable income.

7. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share for the six months ended 30th June, 2024 are based on the net profit attributable to the owners of the parent company of approximately RMB16,487,000 (net profit for the corresponding period in 2023: approximately RMB5,020,000) and the weight average number of 519,521,560 (for the corresponding period in 2023: 519,521,560 ordinary shares) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the two periods ended 30th June, 2024 and 2023 as there was no dilutive share outstanding during both periods.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2024 (for the corresponding period in 2023: nil).

9. TRADE RECEIVABLES

(1) Aging analysis

Age	As at	As at
	30th June, 2024	31st December, 2023
	RMB'000	RMB'000
Within 1 year	165,862	101,044
1-2 years	22,822	26,951
2-3 years	21,609	21,609
3-4 years	12,542	10,952
4-5 years	22,758	17,758
Over 5 years	46,914	44,899
Total	<u>292,507</u>	<u>223,213</u>

The trade receivables are based on the month when amounts are actually recorded.

(2) Breakdown by category

Category	As at 30th June, 2024				
	<i>RMB'000</i>				
	Book balance Amount	Percentage (%)	Bad-debt Amount	provision Percentage of provision (%)	Carrying amount
Individually significant and for which bad debt provision has been separately made	59,456	20.32	48,292	81.22	11,164
Bad-debt provision made on a group basis	<u>233,051</u>	<u>79.67</u>	<u>16,643</u>	<u>7.15</u>	<u>216,408</u>
Total	<u>292,507</u>	<u>100.00</u>	<u>64,935</u>	<u>20.66</u>	<u>227,572</u>

Category	As at 31st December, 2023				
	<i>RMB'000</i>				
	Book balance Amount	Percentage (%)	Bad-debt Amount	provision Percentage of provision (%)	Carrying amount
Individually significant and for which bad debt provision has been separately made	21,758	9.75	21,758	100	—
Bad-debt provision made on a group basis	<u>201,455</u>	<u>90.25</u>	<u>43,177</u>	<u>21.43</u>	<u>158,278</u>
Total	<u>223,213</u>	<u>100.00</u>	<u>64,935</u>	<u>29.09</u>	<u>158,278</u>

10. PRODUCTIVE BIOLOGICAL ASSETS

Breakdown

Item	Planting Tangerines <i>RMB'000</i>	Total
Initial carrying amount		
Opening balance	35,340	35,340
Increase during the period		
1) Additions	3,065	3,065
Decrease during the period		
1) Disposal		
Closing balance		
Accumulated depreciation		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Provision for impairment		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Carrying amount	_____	_____
Carrying amount at the end of the period	<u>38,405</u>	<u>38,405</u>
Carrying amount at the beginning of the period	<u>35,340</u>	<u>35,340</u>

11. TRADE PAYABLES

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

	As at 30th June, 2024 <i>RMB'000</i>	As at 31st December, 2023 <i>RMB'000</i>
Age:		
within 1 year	375,888	324,488
1–2 years	34,089	44,089
2–3 years	50,801	45,801
Over 3 years	27,316	22,317
	<u>488,094</u>	<u>436,695</u>

The trade payables are based on the month when amounts are actually recorded.

12. CAPITAL COMMITMENTS

	As at 30th June, 2024 <i>RMB'000</i>	As at 31st December, 2023 <i>RMB'000</i>
Capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>730</u>	<u>730</u>

13. CONNECTED TRANSACTIONS

(a) Transactions

During the period, the Group had the following significant transactions with Xinjiang Tianye (Group) Limited (新疆天業(集團)有限公司) (“Tianye Holdings”, together with its subsidiaries other than the Group, “Tianye Holdings Group”):

	For the six months ended 30th June, 2024	
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of transaction/business		
Sales of finished goods	12,499	12,198
Purchase of raw materials	43,214	32,664
Rental income from premises	151	116
Rental of plant and machineries	136	106
	<u>136</u>	<u>106</u>

(b) Compensation to key management personnel

The remuneration paid to the Directors, supervisors and other key management personnel of the Company are as follows:

	For the six months ended	
	30th June,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Directors and supervisors	431	285
Other key management personnel	<u>987</u>	<u>745</u>
Total	<u>1,418</u>	<u>1,030</u>

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

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

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

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

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

(a) Material transactions

	For the six months ended	
	30th June,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of transaction		
Sales of goods	114,860	117,869
Purchase of raw materials	55,648	51,667
Interest expenses	<u>1,899</u>	<u>1,394</u>

(b) Material balances

	As at 30th June, 2024 <i>RMB'000</i>	As at 30th June, 2023 <i>RMB'000</i>
Bank balances	417,649	196,226
Trade and other receivables	31,066	32,978
Trade and other payables	<u>47,411</u>	<u>73,935</u>

Except as disclosed above, the Directors are of the opinion that transactions with other State-controlled Entities are not significant to the Group's operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2024, the unaudited total operating revenue of the Group was approximately RMB1,017,421,000, representing an increase of approximately 9.58% from approximately RMB928,462,000 for the corresponding period in the previous year. The increase in the total operating revenue was mainly due to the increase in the engineering projects of the company, which led to the increase in revenue from the engineering projects of the company.

Gross Profit

For the six months ended 30th June, 2024, the unaudited gross profit was approximately RMB58,598,000, with gross profit margin of approximately 5.76%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB39,062,000 and approximately 4.21% respectively, representing an increase of approximately 1.55% in gross profit margin. This was mainly due to the increase in the gross profit and the substantial decrease in the price of raw materials for the products of the Group during the period. Revenue from trading activities decreased to approximately RMB390,258,000 from approximately RMB462,623,000 for the corresponding period in the previous year, accounting for 38.36% of the total operating revenue instead of 49.83%.

Operating costs and expenses

Unaudited distribution costs for the six months ended 30th June, 2024 and the corresponding period in the previous year were approximately RMB8,284,000 and approximately RMB13,165,000 respectively, representing a decrease of approximately RMB4,881,000 or approximately 37.08%. The decrease in distribution costs was mainly due to the substantial decrease in the rental fees and loading and unloading labour fees.

Unaudited administrative expenses for the six months ended 30th June, 2024 and the corresponding period in the previous year were approximately RMB27,077,000 and approximately RMB21,933,000 respectively, representing an increase of approximately RMB5,144,000 or approximately 23.45%.

Unaudited net finance costs for the six months ended 30th June, 2024 was approximately RMB1,388,000, as compared with the unaudited net finance income of approximately RMB(111,000) for the corresponding period in the previous year. The increase in finance costs was mainly due to the decrease in interest income.

Assets impairment loss

Unaudited assets impairment loss for the six months ended 30th June, 2024 and the corresponding period in the previous year was RMB0 and RMB0, respectively.

Credit impairment loss

For the six months ended 30th June, 2024 and the corresponding period in the previous year, unaudited reversal of credit impairment loss was RMB614,000 and RMB3.69, respectively.

Net profit attributable to owners of the parent company

For the six months ended 30th June, 2024, the Group recorded the unaudited net profit attributable to owners of the parent company of approximately RMB16,487,000 as compared with the net profit of approximately RMB5,020,000 for the corresponding period in the previous year. The net profit recorded was mainly due to the increase in the gross profit of engineering projects and products.

Future prospects

With the steady recovery of economic activities, the country has comprehensively increased investment in water conservancy infrastructure and accelerated the development of digital 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.

The Company, as a pioneer and leader in modern water-saving irrigation agriculture in country, focuses on the national rural revitalization strategy and the development of the “three rural” areas. With focus on the entire industry chain of water-saving agriculture, the Company stresses on the implementation of its five major business segments, namely research and production of plastic products, construction of water conservancy projects, sales of plastic products, crop cultivation and land transfer, and smart agricultural information networks. The Company aims to develop, strengthen and optimize various integrated agricultural water-saving industry chains, achieving specialization, intensification and scale through technological innovation, model innovation and financial innovation. It aims to establish itself as a modern comprehensive service provider in water-saving agriculture, offering integrated total contracting, engineering and service solutions.

The Company will continue to increase investment in water-saving irrigation technology research and development to achieve breakthroughs in core technologies and maintain industry leadership. By deepening the cooperation among industry, academic and research bodies, the transformation of technological achievements will be accelerated and core competitiveness will be enhanced. The Company will actively explore domestic and international markets, implement diversified sales strategies, and customize solutions to meet the needs of different regions. Strengthening cooperation with upstream and downstream enterprises, the Company will consolidate industry chain resources to attain synergic development, further expand the layout of the agricultural full industry chain with a focus on developing digital agricultural services and agricultural trade logistics, continuously optimize the digital agricultural service system for water-saving, and widely applying advanced technologies to improve agricultural production efficiency and water resource utilization. Increased investment in digital equipment production will drive production automation, intelligent transformation and product innovation. The Company will proactively fulfill social responsibility, and help farmers to increase their earnings and enhance agricultural efficiency, thereby fostering a green production method.

Liquidity, financial resources and capital structure

During the period, the Group raised its funding principally from cash generated from its business operations.

As at 30th June, 2024, the Group had gearing ratio (which is defined as total borrowings over total equity) of 11.49% (as at 31st December, 2023: 16.34%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and the Group had not experienced any liquidity problem for the six months ended 30th June, 2024.

Contingent Liabilities

As at 30th June, 2024, the Company did not have any significant contingent liabilities.

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC, and all of the Group's receipts and payments in relation to the operations are basically denominated in Renminbi. In this respect, there is no significant currency mismatch in its operational cashflows and the Group is not exposed to any significant foreign currency exchange risk in its operations.

Employee and salary policies

The Directors consider the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 30th June, 2024, the Group had about 407 full-time employees.

Retirement benefit scheme and other benefits

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Company has no obligation in relation to the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit schemes were approximately RMB4,907,000 for the six months ended 30th June, 2024.

Housing pension scheme

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

Future plan for material investment

As at 30th June, 2024, the Group had no plans for material investments.

Material acquisitions and disposals

On 30 November 2023, the Company (as the purchaser) and Xinjiang Tianye (Group) Limited (as the vendor) entered into the Equity Transfer Agreement, pursuant to which the Company had conditionally agreed to purchase, and Xinjiang Tianye (Group) Limited had conditionally agreed to sell, the entire equity interest in Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.* (北京天業國際農業工程科技有限公司), at a consideration of RMB20,161,900. For details, please refer to the circular dated 29 December 2023 and the announcement dated 30 November 2023 of the Company.

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

As at 30th June, 2024, the interests and short positions of the Directors, supervisors (the “Supervisors”) and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under Appendix C3 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June, 2024 was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or executives of the Company, including their respective associates, to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other associated corporations.

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

(A) Domestic Shareholders

As at 30th June, 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than Directors, Supervisors or chief executive) had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company:

Name	Capacity	Number of the domestic shares of the Company held <i>(Note 1)</i>	Approximate percentage of the total issued domestic shares of the Company	Approximate percentage of the total issued share capital of the Company <i>(Note 2)</i>
Xinjiang Tianye (Group) Limited (“Tianye Holdings”) <i>(Note 3)</i>	Beneficial owner	313,886,921	98.98%	60.42%

Notes:

1. “L” denotes the person’s/entity’s long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 shares (including domestic shares and H shares).
3. The domestic shares held by Tianye Holdings represents approximately 98.98% of the total domestic shares in issue.

(B) H Shareholders

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

Notes:

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

Save as disclosed above, as at 30th June, 2024, the Directors, Supervisors and chief executive of the Company were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS’ AND SUPERVISORS’ INTERESTS IN COMPETING BUSINESS

For the six months ended 30th June, 2024, the Directors are not aware of any business or interests of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters, including reviewing the unaudited interim financial accounts.

CODE ON CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved which further instills confidence in the shareholders and the public in the Group. Throughout the six months ended 30th June, 2024, the Group has complied with the code provisions as set out in Appendix C1 of the Listing Rules (collectively, the “CG Code”). No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the CG Code by the Company at any time for the six months ended 30th June, 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by Directors and Supervisors of the Company. Following specific enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standards under the Model Code for the six months ended 30th June, 2024.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company’s listed securities for the six months ended 30th June, 2024.

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

Xinjiang, the PRC, 26th September, 2024

* *For identification purpose only*