



新疆天业节水灌溉股份有限公司
XINJIANG TIANYE WATER SAVING IRRIGATION SYSTEM COMPANY LIMITED*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 840)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

SUMMARY

- Total operating revenue for the six months ended 30th June, 2019 was approximately RMB291,028,000, an increase of approximately 25.8% from approximately RMB231,373,000 for the corresponding period in the previous year.
- Unaudited net loss for the six months ended 30th June, 2019 was approximately RMB487,000, while net loss for the corresponding period in the previous year was approximately RMB10,196,000, representing a decrease of approximately 95.2%. The unaudited net loss attributable to owners of the Company for the six months ended 30th June, 2019 was approximately RMB185,000, while the net loss attributable to owners of the Company for the corresponding period in the previous year was approximately RMB10,091,000, representing a decrease of approximately 98.2%.
- Basic loss per share for the six months ended 30th June, 2019 was approximately RMB0.0003 (basic loss per share for the corresponding period in 2018: RMB0.0194).
- The Board does not recommend the payment of any interim dividend for the six months ended 30th June, 2019 (for the corresponding period in 2018: nil).

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

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, 2019, together with the comparative figures for the corresponding period in 2018. These interim results have been reviewed by the Company’s independent auditor, Pan-China Certified Public Accountants LLP, in accordance with the requirements of “China Certified Public Accountant Review Standard No. 2101 — Review of Financial Statement” 《中國註冊會計師審閱準則第2101號 — 財務報表審閱》 and reviewed by the audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		30th June, 2019	2018
		RMB'000 (unaudited)	RMB'000 (unaudited)
1. Total operating revenue	3	291,028	231,373
Including: Other operating income		2,220	8,070
Operating income		288,808	223,303
2. Total operating cost		293,303	241,170
Including: Cost of sales		243,542	210,776
Business taxes and surcharges		1,737	1,425
Distribution costs		30,109	14,609
Administrative expenses		17,879	14,479
Research and development expenses		663	281
Finance costs		(582)	(187)
Credit impairment loss		(1,420)	(213)
Assets impairment loss		1,375	—
Add: Other income		2,449	704
Less: Loss from disposal of assets		—	751
Investment loss		(9)	—
3. Operating profits/(loss)		165	(9,844)
Add: Non-operating income		14	55
Less: Non-operating expenses		13	82
4. Total profits/(loss)	5	166	(9,871)
Less: Income tax expenses	6	653	325
5. Net (loss)		(487)	(10,196)
Net (loss) attributable to owners of the parent Company		(185)	(10,091)
(Loss) attributable to minority interests		(302)	(105)
6. (Loss) per share — basic	7	<u>RMB(0.0003)</u>	<u>RMB(0.0194)</u>
7. Other comprehensive income		—	—
8. Total comprehensive (loss)		(487)	(10,196)
Total consolidated (loss) attributable to owners of the parent Company		(185)	(10,091)
Total consolidated (loss) attributable to minority interests		(302)	(105)
9. Dividend	8	—	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30th June, 2019 <i>RMB'000</i> (unaudited)	31st December, 2018 <i>RMB'000</i> (audited)
Current assets:			
Cash		118,669	109,602
Bill receivables		16,507	2,600
Trade receivables	9	203,074	211,364
Prepayments		35,592	13,889
Other receivables		22,674	15,993
Inventories		422,291	413,570
Other current assets		5,862	3,715
Total current assets		824,669	770,773
Non-current assets:			
Long-term equity investments		7,847	7,857
Property, plant and equipment		147,987	154,582
Construction in progress		8,560	4,513
Right-of-use asset		1,365	—
Intangible assets		14,746	13,660
Long-term prepaid expenses		2,913	3,275
Deferred income tax assets		997	1,082
Other non-current assets		—	2,071
Total non-current assets		184,416	187,040
Total assets		1,009,085	957,773
Current liabilities:			
Short-term borrowings		30,000	30,000
Bill payables		30,000	—
Trade payables	10	226,109	217,514
Contract liabilities		56,271	46,760
Employee remuneration payables		5,447	9,037
Taxes and levy payables		2,189	5,961
Other payables	11	31,169	22,886
Non-current liabilities due within one year		1,381	—
Total current liabilities		382,566	332,158
Non-current liabilities:			
Deferred income		10,428	9,037
Total non-current liabilities		10,428	9,037
Total liabilities		392,994	341,195
Equity of owners:			
Share capital		519,522	519,522
Capital reserve		15,372	15,372
Surplus reserves		34,724	34,724
Retained earnings		37,435	37,620
Total equity attributable to owners of the parent Company		607,053	607,238
Minority interests		9,038	9,340
Total equity of owners		616,091	616,578
Total liabilities and equity of owners		1,009,085	957,773

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30th June, 2019

	Share capital <i>RMB'000</i> (unaudited)	Capital reserves <i>RMB'000</i> (unaudited)	Surplus reserves <i>RMB'000</i> (unaudited)	Retained earnings <i>RMB'000</i> (unaudited)	Total equity attributable to owners of the parent Company <i>RMB'000</i> (unaudited)	Minority interests <i>RMB'000</i> (unaudited)	Total equity <i>RMB'000</i> (unaudited)
At 1st January, 2018	519,522	15,372	34,724	85,081	654,699	11,531	666,230
Total comprehensive income for the period	—	—	—	(10,091)	(10,091)	(105)	(10,196)
At 30th June, 2018	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>74,990</u>	<u>644,608</u>	<u>11,426</u>	<u>656,034</u>
At 1st January, 2019	519,522	15,372	34,724	37,620	607,238	9,340	616,578
Total comprehensive loss for the period	—	—	—	(185)	(185)	(302)	(487)
At 30th June, 2019	<u>519,522</u>	<u>15,372</u>	<u>34,724</u>	<u>37,435</u>	<u>607,053</u>	<u>9,038</u>	<u>616,091</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2019

	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (unaudited)
Net cash used in operating activities	(15,488)	(26,984)
Net cash from investing activities	(4,732)	306
Net cash used in financing activities	(713)	—
Net (decrease) increase in cash and cash equivalents	(20,933)	(26,678)
Cash and cash equivalents at 1st January	109,139	118,214
Cash and cash equivalents at 30th June	88,206	91,536

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2019

1. GENERAL

Xinjiang Tianye Water Saving Irrigation System Company Limited (新疆天業節水) (hereinafter referred to as the “Company”) was co-founded by the joint investment from Xinjiang Tianye Company Limited (新疆天業股份有限公司) and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司). It was registered under the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區工商行政管理局) on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The creditability code of its Business License of Enterprise Legal Person is 91650000757655578C and its registered capital is RMB519,521,560, comprising 519,521,560 shares of RMB1.00 each in aggregate, of which 317,121,560 are domestic shares held by legal persons and 202,400,000 are overseas H shares. The Company transferred its shares listing from the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited to the Main Board of the Stock Exchange on 24th January, 2008, with its Stock Code changed from 8280 to 0840.

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

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

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

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

The accounting policies applied are consistent with those as referred to in the financial statements as at 31 December 2018, save for the new and amended standards as set forth below.

(I) New and amended standards adopted by the Company

1. The Company adopted the ASBE 21 — Lease (hereinafter referred to as the “New Lease Standards”) as amended by the Ministry of Finance on 1st January, 2019. Pursuant to the transitional requirements of the New Lease Standard, a company can choose to adjust the retained earnings and the amounts of other related items in the financial statement at the beginning of the year of the first implementation of the New Lease Standard based on the cumulative impact figure of the first implementation of the New Lease Standards, without adjusting the information of the comparable period. In respect of the operating lease of the Company before the date of initial application, the leasee should measure the lease liability at the present value of the remaining lease payments, discounted using the leasee’s incremental borrowing rate at the date of initial application, as well as measure right-of-use assets under each lease as required. The weighted average incremental borrowing rate applied to the operating lease of the Company on 1st January, 2019 was 4.698%.

The reconciliation of operating lease commitment to lease liabilities is set out below:

Operating lease commitment at 31st December, 2018	2,144,005.92
Discounting effect	95,845.96
Lease liabilities 1st January, 2019	2,048,159.96

Set out below is the main impact of the implementation of New Lease Standard on the financial statements of the Company as at 1 January 2019:

Items	As at 31 December 2018	Balance Sheet Impact of the implementation of New Lease Standards	As at 1 January
Assets:			
Right-of-use assets	—	2,048,159.96	2,048,159.96
Liabilities:			
Non-current liabilities due within one year	—	1,349,709.62	1,349,709.62
Lease liabilities	—	698,450.34	698,450.34

Other than the adoption of New Lease Standards, other new and amended standards have no material impact on the Company.

- The 2019 financial statements of the Company is prepared in accordance with the requirements of the “Notice on Revision of the Format for Issuing the General Enterprise Financial Statements as at 2019” (Cai Kuai [2019] No. 6) 《關於修訂印發2019年度一般企業財務報表格式的通知》(財會〔2019〕6號) and the ASBE. As for changes to this accounting policy, the retrospective approach is adopted.

The items and amounts in the 2018 financial statements materially affected are as follows:

Original item and amount in the financial statements		New item and amount in the financial statements	
Bills receivables and trade receivables	213,964,316.50	Bills receivables	2,600,000.00
		Trade receivables	211,364,316.50
Bills payables and trade payables	217,513,969.66	Bills payables	—
		Trade payables	217,513,969.66

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,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Drip films and drip assemblies	106,112	75,803
PVC/PE pipelines	166,483	117,012
Provision of installation services	16,213	30,488
Other income	2,220	8,070
	<u>291,028</u>	<u>231,373</u>

Notes:

1. According to the sales mix of the Group, drip assemblies are usually sold as auxiliary products of drip films. Therefore, drip films and drip assemblies are classified under the same category.
2. Revenue of other business was primarily attributable to income derived from external processing of spare and accessory parts by mechanical workshops and gain from fixed assets leasing.

4. BUSINESS AND GEOGRAPHICAL SEGMENT

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

5. TOTAL PROFITS

	For the six months ended	
	30th June,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Total profits have been arrived at after charging:		
Depreciation	7,156	8,961
and after crediting:		
Bank interest income	<u>1,455</u>	<u>248</u>

6. INCOME TAX EXPENSES

	For the six months ended	
	30th June,	
	2019	2018
	RMB'000	RMB'000
Enterprise Income Tax (“EIT”)	<u>653</u>	<u>325</u>

- (1) The Company and its subsidiaries, Gansu Tianye Water Saving Device Co., Ltd.* (甘肅天業節水有限公司), Akesu Tianye Water Saving Co., Ltd.* (阿克蘇天業節水有限公司) and Kuitun Tiantun Water Saving Co., Ltd.* (奎屯天屯節水有限責任公司) were subjected to an EIT tax rate of 15% in 2019 as it complied with the requirements of the tax concession policies of the Western Development (西部大開發).
- (2) The production operation of agricultural plastic belts for drip irrigation engaged by Shihezi Tiancheng Water Saving Device Co., Ltd.* (石河子市天誠節水器材有限公司), a subsidiary, conforms to order No. 9 of the National Development and Reform Commission. Pursuant to the Notice of Ministry of Finance, the “General Administration of Customs and the State Administration of Taxation on the Tax Policy for In-depth Implementation of the Western Development Strategy” (《財政部、海關總署、國家稅務總局產三十深入實施西部大開發戰略有關稅收政策問題的通知》), it is subjected to an EIT tax rate of 15% during 1st January, 2011 to 31st December, 2020”.
- (3) Hami Tianye Hongxing Water Saving Irrigation Co., Ltd.* (哈密天業紅星節水灌溉有限責任公司), a subsidiary, is a qualified small low-profit enterprise, the taxable income of which will be 50% of the total income before being subjected to an EIT tax rate of 20%.
- (4) Zhongxinnong Modern Water Saving Technology Company Limited (中新農現代節水科技有限公司), a subsidiary mainly engaged in promotion and application of high-efficiency water saving technology, which belongs to “Promotion and Application of High-efficiency Water Transportation, Distribution and Conservation and Irrigation Technology” of Article 18 “Water Conservancy” under the Class I “Encouraged Category” of “Catalogue for the Guidance of Industrial Restructuring” 《產業結構調整指導目錄》, was subjected to an EIT tax rate of 15% in 2019.
- (5) Other taxpayers other than the above-mentioned, were subjected to an EIT tax rate of 25% in 2019.

7. EARNINGS PER SHARE — BASIC

The calculations of basic loss per share for the six months ended 30th June, 2019 are based on the net loss attributable to the owners of the parent Company of approximately RMB185,000 (net loss for the corresponding period in 2018: approximately RMB10,091,000) and the weight average number of 519,521,560 (for the corresponding period in 2018: 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, 2018 and 2019 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, 2019 (for the corresponding period in 2018: nil).

9. TRADE RECEIVABLES

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

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

	As at 30th June, 2019 <i>RMB'000</i>	As at 31st December, 2018 <i>RMB'000</i>
Aged:		
Within 1 year	153,171	151,067
1-2 years	28,284	37,614
2-3 years	12,285	14,140
3-4 years	6,479	6,038
4-5 years	2,639	2,251
Over 5 years	215	254
	<u>203,074</u>	<u>211,364</u>
Total	<u>203,074</u>	<u>211,364</u>

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

10. TRADE PAYABLES

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

	As at 30th June, 2019 <i>RMB'000</i>	As at 31st December, 2018 <i>RMB'000</i>
Aged:		
within 1 year	115,712	128,259
1-2 years	70,180	63,763
2-3 years	27,865	14,234
Over 3 years	12,352	11,258
	<u>226,109</u>	<u>217,514</u>

11. OTHER PAYABLES

	As at 30th June, 2019 <i>RMB'000</i>	As at 31st December, 2018 <i>RMB'000</i>
Items		
Security deposits	1,799	2,191
Payables for temporary payment	17,793	17,278
Current account	7,816	2,937
Employee borrowings	55	79
Others	3,206	401
	<u>31,169</u>	<u>22,886</u>
Total	<u>31,169</u>	<u>22,886</u>

12. CAPITAL COMMITMENTS

	As at 30th June, 2019 <i>RMB'000</i>	As at 31st December, 2018 <i>RMB'000</i>
Capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>4,016</u>	<u>6,090</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,	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Nature of transaction/business		
Sales of finished goods	4,178	1,761
Purchase of raw materials	49,732	53,342
Rental income from premises	40	65
Rental of plant and machineries	653	1,544
	<u>653</u>	<u>1,544</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,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Directors and supervisors	431	436
Other key management personnel	<u>1,382</u>	<u>540</u>
Total	<u><u>1,813</u></u>	<u><u>976</u></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 those State-controlled Entities are independent third parties so far as the Group’s business transactions with them are concerned.

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

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

(a) Material transactions

	For the six months ended 30th June,	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of transaction		
Sales of goods	124,335	104,118
Purchase of raw materials	<u>115,449</u>	<u>146,625</u>

(b) **Material balances**

	As at 30th June, 2019 RMB'000	As at 31st December, 2018 RMB'000
Bank balances	116,593	109,602
Trade and other receivables	23,582	14,394
Trade and other payables	30,149	20,598

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, 2019, the unaudited total operating revenue of the Group was approximately RMB291,028,000, representing an increase of approximately 25.8% from approximately RMB231,373,000 for the corresponding period in the previous year. The increase in the total operating revenue was mainly due to an increase in sales revenue of the Company as a result of the increased demand of market for our products.

Gross Profit

For the six months ended 30th June, 2019, the unaudited gross profit was approximately RMB47,486,000, with gross profit margin of approximately 16.3%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB20,597,000 and approximately 8.9% respectively, representing an increase of 7.4% in gross profit margin. This was mainly due to an increase in sales of products and selling price of the Group amid declining production costs during the current period.

Operating Costs and Expenses

Unaudited distribution costs for the six months ended 30th June, 2019 and the corresponding period in the previous year were approximately RMB30,109,000 and approximately RMB14,609,000 respectively, representing an increase of approximately RMB15,500,000 or approximately 106.1%. This was mainly due to a significant increase in the transportation expenses and sale service fee.

Unaudited administrative expenses for the six months ended 30th June, 2019 and the corresponding period in the previous year were approximately RMB17,879,000 and approximately RMB14,479,000 respectively, representing an increase of approximately RMB3,400,000 or approximately 23.5%. This was mainly due to the increase in the employee remuneration and depreciation charge during the current period.

Unaudited finance income for the six months ended 30th June, 2018 and the corresponding period in the previous year was approximately RMB582,000 and approximately RMB187,000 respectively, representing an increase of approximately RMB395,000. This was mainly due to an increase in the interest from deposits.

Assets impairment loss

Unaudited assets impairment loss for the six months ended 30th June, 2019 and the corresponding period in the previous year was approximately RMB1,375,000 and RMB0 respectively.

Credit impairment loss

For the six months ended 30th June, 2019 and the corresponding period in the previous year, the Group's unaudited reversal of credit impairment loss was approximately RMB1,420,000 and approximately RMB213,000 respectively.

Net loss attributable to owners of the Company

For the six months ended 30th June, 2019, the Group recorded approximately RMB185,000 for the unaudited net loss attributable to owners of the Company, representing a decrease of approximately RMB9,906,000 from approximately RMB10,091,000 for the corresponding period in the previous year. This was mainly due to a surge of gross profits.

Prospect

Severe shortage of water resources is a constant concern in the PRC. Since there is a rising conflict between water consumption for agriculture, the Group is of the view that the potential for developing water-saving agricultural irrigation will be increasing, and the water-saving agricultural irrigation industry continues to be a top priority on the development agenda of the PRC government.

The Group will accelerate the construction and promotion of efficient water-saving demonstration bases and carry out water-saving agricultural demonstration activities, as well as establish a demonstration display platform, to facilitate the extension of the upstream and downstream industry chain, and the expansion of sales channels. In the meantime, the Group will continue to increase investment in research and development of new products and new technologies, and actively explore the five major sales markets in the PRC, which will benefit the enhancement of the Group's market revenue and market competitiveness.

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, 2019, the Group had gearing ratio (which is defined as total borrowings over total equity) was 4.87% (as at 31st December, 2018: 4.87%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and had not experienced any liquidity problem for the six months ended 30th June, 2019.

Contingent Liabilities

As at 30th June, 2019, 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, 2019, the Group had 535 full-time employees.

Retirement benefit scheme and other benefits

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Company has no obligation for the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit plans were approximately RMB4,821,000 for the six months ended 30th June, 2019.

Housing pension scheme

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

Future plan for material investment

As at 30th June, 2019, the Group had no material investment plan.

Material acquisitions and disposals

For the six months ended 30th June, 2019, the Group had no material acquisitions nor disposals of subsidiaries and associated companies.

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

As at 30th June, 2019, none of the Directors, supervisors (the "Supervisors") and chief executive of the Company has any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of dealings by Directors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

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

(A) Domestic Shareholders

As at 30th June, 2019, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than Directors, Supervisors or chief executive) had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company:

Name	Capacity	Number of the domestic shares of the Company held (Note 1)	Approximate	Approximate
			percentage of the total issued domestic shares of the Company	percentage of the total issued share capital of the Company (Note 2)
Xinjiang Tianye Company Limited ("Tianye Company") (Note 3)	Beneficial owner	202,164,995 (L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited ("Tianye Holdings") (Note 4)	Beneficial owner Interest in controlled corporation	111,721,926 (L) 202,164,995 (L)	35.23% 63.75%	21.50% 38.91%

Notes:

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

(B) H Shareholders

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

Notes:

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

Save as disclosed above, as at 30th June, 2019, 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, 2019, the Directors are not aware of any business or interests of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

AUDIT COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved and further instill confidence in the shareholders and the public in the Group. Throughout the six months ended 30th June, 2019, the Group has complied with the requirements of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors of the Company. Following specific enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standard under the Model Code for the six months ended 30th June, 2019.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OF REDEMPTION OF SHARES

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities for the six months ended 30th June, 2019.

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

Xinjiang, the PRC, 15th August, 2019

* *For identification purpose only*