



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

Stock Code: 840



2022  
ANNUAL REPORT

\*for identification purposes only

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Li He (*Chairman*)  
Ms. Yang Ling (*appointed on 28th June, 2022*)  
Mr. Jiang Dayong (*appointed on 28th June, 2022*)  
Mr. Huang Dong (*resigned on 28th June, 2022*)  
Mr. Tan Xinmin (*resigned on 28th June, 2022*)

### Independent non-executive Directors

Mr. Li Lianjun  
Ms. Gu Li  
Mr. Hung Ee Tek  
Mr. He Xinlin (*appointed on 28th June, 2022*)  
Mr. Yin Feihu (*resigned on 28th June, 2022*)

## SUPERVISORS

Mr. Wang Zhigang (*appointed on 28th June, 2022*)  
Mr. Xie Xinghui  
Mr. Chen Cailai  
Ms. Chen Jun (*resigned on 28th June, 2022*)

## QUALIFIED ACCOUNTANT

Mr. Xiang Duo Wu

## COMPANY SECRETARY

Ms. Chan Ching Yi

## COMPLIANCE OFFICER

Mr. Yang Wan Sen

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

Mr. He Xinlin (*Chairman*)  
(*appointed on 28th June, 2022*)  
Ms. Yang Ling (*appointed on 28th June, 2022*)  
Mr. Li Lianjun  
Mr. Yin Feihu (*resigned on 28th June, 2022*)  
Mr. Huang Dong (*resigned on 28th June, 2022*)

## NOMINATION COMMITTEE

Mr. He Xinlin (*Chairman*)  
(*appointed on 28th June, 2022*)  
Mr. Li Lianjun  
Mr. Li He  
Mr. Yin Feihu (*resigned on 28th June, 2022*)

## AUDITOR

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

### HONG KONG LEGAL ADVISER

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

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PRINCIPAL BANKERS

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

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

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

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

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

### STOCK CODE

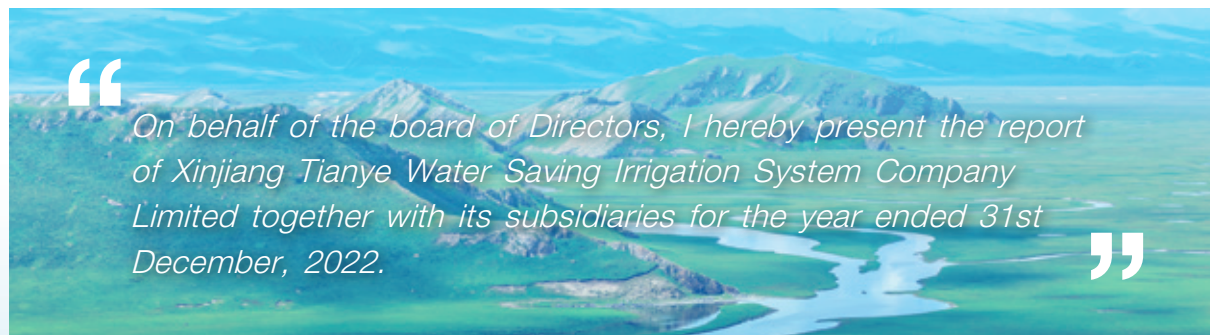
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### WEBSITE

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

# Chairman's Statement

Dear **Shareholders**,



## BUSINESS REVIEW

- Operating income for the year ended 31st December, 2022 was approximately RMB1,443,455,000, an increase of approximately 29.85% from RMB1,111,618,000 for the year of 2021.
- The net loss attributable to the parent for the year ended 31st December, 2022 was approximately RMB78,176,000 (2021: net loss attributable to the parent of approximately RMB66,836,000).
- Basic and diluted loss per share for the year was approximately RMB0.15 (2021: loss of approximately RMB0.13).

## FUTURE PROSPECTS

In 2022, the continuation of the 14th Five-Year Plan played an important role in shaping the future. By upholding Xi Jinping's socialist thoughts with Chinese characteristics in the new era, we studied and implemented the spirit of the 20th National Congress of the Communist Party of China and the important instructions as mentioned in General Secretary Xi Jinping's speeches during his inspections in Xinjiang and Xinjiang Production and Construction Group (XPCC), so as to fully implement the decisions and arrangement of Tianye Group. In the face of the most severe and complicated pandemic control in the past three years, as well as the continuing fierce competition in the water-saving irrigation industry market, the Company timely adjusted its development direction with its resolution to advance strategic transformation following the joint efforts of all employees. As a result, progress has been made in various businesses.

In line with the national initiatives tailored to rural revitalization and food security, the Group implemented the “excursion” development strategy, whereby “starting with strategic business operations throughout Xinjiang before duplicating the same strategy across the country”. The Group’s philosophy of “water-saving priority and digital empowerment” will serve the goals of “stabilizing food supply, expanding oil production, improving cotton quality, and producing high-quality fruits”. The Group’s “12355” approach, which aims to “build one center, achieve two extensions, strengthen three innovations, focus on five major businesses, and provide five guarantee measures”, will facilitate our strategic business presence in modern agricultural industrial clusters in the products featuring “irrigation, fertilization, and salination”, agricultural water and soil engineering, digital agricultural services for water-saving, deep processing of agricultural products, and agricultural trade logistics. Through financial innovation, research innovation, and model innovation, the Group achieved specialized, intensive, and large-scale development, while fully promoting the construction of “qanat” and “plains-based water tank” projects in the new era, aiming to achieve the modernization of agricultural reservoirs in the mountains, water transportation pipelines, water metering, energy-saving operation, and farmland drip irrigation.

Looking into 2023, we embrace the full implementation of the spirit of the 20th National Congress of the Communist Party of China, as it is also a crucial year for constructing modern agricultural industrial clusters and achieving the goal of billion-ton water conservation. Besides closely revolving around the central work of Tianye Group, the Group adheres to the guidance of tackling key core agricultural technologies. In addition, driven by urgent industrial requirements, we strive to lay a solid foundation and achieve long-term benefits, while continuing to promote the high-quality development of the agricultural industry. By adhering to the guidance of Xi Jinping’s socialist thoughts with Chinese characteristics for the new era, we will continue to deepen our study of the spirit of the 20th National Congress of the Party, the spirit of the Central Economic Work Conference, and the spirit of the Central Rural Work Conference, as well as their implementation, so as to fully and accurately implement the Xinjiang governance policy set by the Party in the new era and the concept of new development, and faithfully fulfill the responsibilities of the new era for the XPCC. Furthermore, by raising the awareness of “agricultural powerhouse”, we will actively undertake the responsibility and mission as the agricultural demonstration site, so as to achieve the goal of billion-ton water conservation.

Meanwhile, the Group will always keep its original aspiration in mind, and take customer needs as the guidance. Driven by the management philosophy of technological leadership and superior quality, we will provide customers with comprehensive technical support and after-sales services. By continuing to improve our overall business strength, we are tirelessly striving to complete various tasks and objectives for 2023.

## APPRECIATION

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

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Li He', written in a cursive style.

**Li He**

*Chairman of the Board*

Xinjiang, the PRC  
30th March, 2023

# Management Discussion and Analysis

## RESULTS OF OPERATIONS

### Operating income

For the year ended 31st December, 2022, operating income of the Group was approximately RMB1,443,455,000, representing an increase of approximately 29.85% from approximately RMB1,111,618,000 for the year ended 31st December, 2021.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2022 and 31st December, 2021 by products:

Category	For the year ended 31st December, 2022		For the year ended 31st December, 2021		Year-on-year percentage change
	Operating income RMB'000	% to total operating income %	Operating income RMB'000	% to total operating income %	
Trading income	<b>778,227</b>	<b>53.91</b>	500,369	45.01	<b>55.53</b>
Project income	<b>379,856</b>	<b>26.32</b>	224,452	20.19	<b>69.24</b>
Drip tape and drip assemblies	<b>37,997</b>	<b>2.63</b>	50,938	4.58	<b>-25.41</b>
PVC/PE pipelines	<b>164,141</b>	<b>11.37</b>	285,668	25.69	<b>-42.54</b>
Other operating income	<b>83,234</b>	<b>5.77</b>	50,191	4.53	<b>65.83</b>
<b>Total</b>	<b>1,443,455</b>	<b>100.00</b>	1,111,618	100.00	<b>29.85</b>

For the year ended 31st December, 2022, trading income increased by 55.53% to approximately RMB778,227,000 from approximately RMB500,369,000 in the last year and project income increased by 69.24% to approximately RMB379,856,000 from approximately RMB224,452,000 in the last year. Sales of drip tape and drip assemblies decreased by approximately 25.41% to approximately RMB37,997,000, while sales of PVC/PE pipelines decreased by approximately 42.54% to approximately RMB164,141,000. At the same time, the sales volume of drip tape and drip assemblies decreased from approximately 5,066 tonnes to approximately 4,300 tonnes, while the sales volume of PVC/PE pipelines decreased from approximately 29,860 tonnes in the last year to approximately 23,110 tonnes.



### **Gross profit and gross profit margin**

Gross profit and gross profit margin decreased from approximately RMB69,253,000 and 6.23% for the year ended 31st December, 2021 to approximately RMB20,755,000 and 1.44% for the year ended 31st December, 2022, respectively, mainly attributable to the gross profit of trade revenue of the Company is relatively low.

### **Cost of sales**

For the year ended 31st December, 2022, cost of sales of the Group was approximately RMB1,422,700,000, representing an increase of approximately 36.49% from approximately RMB1,042,365,000 for the year ended 31st December, 2021. Costs of sales for the year ended 31st December, 2022 comprised direct materials costs of approximately RMB563,181,000, direct labour costs of approximately RMB59,781,000 and production overhead of approximately RMB78,187,000, which accounted for approximately 39.59%, 4.20% and 5.50%, respectively, of the total costs of sales for year 2022. Costs of sales for the year ended 31st December, 2021 comprised direct materials costs of approximately RMB413,387,000, direct labour costs of approximately RMB58,530,000 and production overhead of approximately RMB67,860,000, which accounted for approximately 39.67%, 5.61% and 6.51%, respectively, of the total costs of sales for year 2021.

### **Distribution costs**

Distribution costs were approximately RMB23,078,000 for the year ended 31st December, 2022, representing a decrease of approximately 13.62% from 2021. The amount accounted for approximately 1.60% of the total operating income for the year ended 31st December, 2022, which was 0.80% lower than its share of total operating income of approximately 2.40% in the previous year. Distribution costs mainly comprised salaries expenses, sales service fee, warehousing and storage fee etc. The decrease in selling expenses in 2022 was mainly due to decrease in sales service fee and employee benefits.

### **Administrative expenses**

Administrative expenses decreased by approximately 12.24% to approximately RMB41,647,000 for the year ended 31st December, 2022. The amount accounted for approximately 2.89% of total operating income for the year ended 31st December, 2022, which was dropped by approximately 1.38% from its share of total operating income of approximately 4.27% in the previous year. For the year ended 31st December, 2022, service fees decreased by approximately 76.77% to approximately RMB1,139,000 and salaries benefits fees and social insurance decreased by 5.23% to approximately RMB23,587,000, which led to a decrease in administrative expenses.

### Finance income/costs

Finance costs for the year ended 31st December, 2022 was approximately RMB2,551,000, consisting mainly of interest expense and commission charges, net of interest income, while finance income for the year ended 31st December, 2022 was approximately RMB589,000, consisting mainly of interest income.

### Assets impairment loss

The assets impairment loss for the years ended 31st December, 2022 was approximately RMB33,318,000, which mainly consisted of inventory impairment loss of approximately RMB22,931,000 and bad debt loss of approximately RMB10,387,000, while assets impairment loss for the years ended 31st December, 2021 was approximately RMB47,820,000, which mainly consisted of inventory impairment loss of approximately RMB22,029,000, impairment allowance for fixed assets of approximately RMB11,429,000 and bad debt loss of approximately RMB14,362,000. Increase in provision for various impairment losses are attributable to i) inventory impairment losses, mainly due to provision for impairment losses adjusted by audit in that the existing inventory price is higher than the existing market price; ii) the bad debt loss, mainly due to the impairment of unrecoverable accounts receivable, which is provided based on the past due days.

### Total loss

As a result of the factors discussed above, the Group's audited total loss for the year ended 31st December, 2022 was approximately RMB80,420,000 while the total loss for the corresponding period in the previous year was approximately RMB62,845,000. The Group's total loss accounted for approximately 5.57% of its turnover for the year ended 31st December, 2022 and the total profit accounted for approximately 5.66% of its turnover for the corresponding period in the previous year.

### Net loss attributable to owners of the parent company

As a result of the factors discussed above, the net loss attributable to owners of the parent company increased from net loss of approximately RMB66,836,000 for the year ended 31st December, 2021 to net loss of approximately RMB78,176,000 for the year ended 31st December, 2022. For the two years ended 31st December, 2022 and 2021, the Group's net loss margins were approximately 5.42% and 6.01%, respectively.

## FUTURE PROSPECTS

China regards agriculture as its foundation, and therefore the quality and safety of agricultural products directly affect the health of its people. As a result, the government and agricultural producers have put forward high requirements on the safety, reliability, and technological advancement of water-saving irrigation products, necessitating continuous investment in research and development and constant improvement of the quality of existing products by water-saving irrigation product manufacturers.

China is a water-stressed country, and is ranked among the 13 most water-stressed countries in the world. The shortage and uneven distribution of water resources in China, as well as the low efficiency of agricultural irrigation water, make it necessary to vigorously develop water-saving irrigation as a means of alleviating the shortage of water resources in China, and it is also an important means of building a conservation-oriented society and establishing a water ecological civilization system. The 10th Plenary Session of Xinjiang Autonomous Region emphasized strengthening ecological and environmental protection and scientifically coordinating the key role of water resources in economic, social, and ecological development, thus ensuring sustainable development in Xinjiang. It was proposed to establish a water-saving, water-storage, and water-transfer system as a fundamental guarantee project, adjusting and improving the system and management mechanism for water resource allocation, systematically promoting major cross-regional water resource allocation projects and capacity building for water resource storage and transfer, and strengthening the intensive and economical use of water resources, thus effectively protecting the ecological environment.

The Report of the 19th National Congress of the Communist Party of China (the “CPC”) highlights the development of agriculture and rural areas as a top priority for the CPC and the PRC. In 2022, the State Council approved the “National High-standard Farmland Construction Plan (2021–2030)”, which focuses on the goal of food production and specifies the overall requirements, construction standards and construction content, construction zoning and construction tasks, construction supervision and post-construction management, benefit analysis, and implementation guarantees for the construction of high-standard farmland in the coming period, with an aim to striving to make the effective irrigation area of large and medium-sized irrigation areas into high-standard farmland on a priority basis through new construction and transformation, ensuring the completion of 1 billion mu of high-standard farmland by 2022, 1.075 billion mu by 2025, and 1.2 billion mu by 2030. China will make an overall plan for the simultaneous implementation of high-efficient water-saving irrigation and high-standard farmland construction, in order to complete the construction of 110 million mu of new high-efficiency water-saving irrigated farmland within the planning period, indicating a broad market prospect in the future.

In close pursuit of development pattern of “one core business and two new businesses (一主兩新)” proposed by Tianye Group, the Company will position “modern agriculture” as its main business and strengthen its strategic development model of comprehensive agricultural services based on the three core businesses of “products, engineering, and trade.” It will quickly complete the transformation from “a simple manufacturer” to “a comprehensive service provider”, with rich practical experience as an early listed water-saving enterprise in the PRC. In order to continuously establish an image of “Water-saving irrigation in Xinjiang tops those elsewhere in China, and Water-saving irrigation in Xinjiang Production and Construction Group (XPCC) tops that in Xinjiang, while Water-saving irrigation in XPCC Eighth Agricultural Division tops that in XPCC”, as a water-saving irrigation industry leader in the PRC, the Company will actively implement the requirements of the national, Xinjiang Autonomous Region, and XPCC and division Party Committees on water resource development, especially water-saving industries. Benchmarking against international first-class standards, we will focus on innovative research in the whole process of “intake, storage, transportation, and irrigation” of irrigation water, lead the establishment of a corps-level high-efficiency water-saving industrial innovation research center, and build an integrated agricultural service platform covering the entire industry chain of “planting, water irrigation, fertilizer, pesticide, gas fertilizer, machinery, processing, and sales” covering millions of mu of land. Gateway to XPCC Eighth Agricultural Division and capturing opportunities in Xinjiang, we will build ourselves into a ten-billion-yuan level modern water-saving agricultural industry group in the XPCC.

## INDEBTEDNESS

### Borrowings

As at 31st December, 2022, the Group had outstanding bank loans of RMB89,106,000 (2021: RMB43,418,000).

### Commitments

As at 31st December, 2022, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB750,000 (2021: RMB720,000).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2022 were approximately 1.51 and 0.78, respectively, while the current ratio and quick ratio as at 31st December, 2021 were 1.90 and 0.88.



### **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, 2022, 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 RMB2,341,000 (2021: approximately RMB926,000), which were in line with the expansion plans of the Group.

### **Capital structure**

For the year ended 31st December, 2022, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 19.95% (2021: 8.21%). This was primarily due to the fact that the Group's bank loan amounted to RMB89,106,000 in 2022 and RMB43,418,000 in 2021. 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, 2022.

### **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, 2022, the Group had no contingent liabilities (2021: Nil).

### Events after the reporting period

The following is a summary of the events occurred after the reporting period and up to the issue date of this report:

- (1) 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 an acquisition agreement, pursuant to which the Company has conditionally agreed to acquire, and Xinjiang Tianhe Yida Investment Co., Ltd.\* (新疆天合意達投資有限公司) has conditionally agreed to sell, its 51% equity interest in 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 above transaction had been approved by the Shareholders of the Company on 3rd February, 2023.

Please refer to the circular of the Company published on 12th January, 2023 and the announcements dated 1st December, 2022 and 25th November, 2022 for further details.

- (2) On 13th February, 2023, Xinjiang Tianye Company Limited (as the purchaser) and the Company (as the vendor) entered into an asset transfer agreement, pursuant to which the Company has conditionally agreed to sell, and Xinjiang Tianye Company Limited has agreed to conditionally acquire, a number of buildings (structures) and equipment owned by the Company (a total of 24 items) at a consideration of RMB26,608,400. The above transaction was approved by the Shareholders of the Company on 31st March, 2023. As of the issue date of this annual report, the above transaction had been completed.

Please refer to the circular of the Company published on 15th March, 2023 and the announcement dated 13th February 2023 for further details.

### 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 2021 and 2022.

## **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, 2022, the Group had 384 employees (2021: 527) 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 RMB8,012,000 for the year ended 31st December, 2022.

According to the Enterprise Annuity Scheme of Xinjiang Tianye (Group) Limited, the Company and its subsidiaries shall pay enterprise annuity for their employees, who are set to receive the accumulated amount on their individual accounts (including principal and investment income) in a lump sum once they retire or otherwise become unemployed, the amount of which is included to expenses incurred from the retirement benefits scheme. The returned contributions shall not be used by the Group to reduce the existing level of contributions of the annuity scheme. The use of the returned contributions will be determined in the future.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Save as the above, for the year ended 31st December, 2022, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

## **MATERIAL INVESTMENTS**

For the year ended 31st December, 2022, the Group made a capital contribution for the establishment of Xinjiang Tianye Modern Technology Co., Ltd. (新疆天業現代科技有限公司) on 14th April, 2022 with a registered capital of RMB20 million, and the capital contribution shall be paid in installments by 30th December, 2030. Therefore, the financial performance of such wholly-owned subsidiary shall be consolidated in the financial statements from the date of its establishment. Save for the above, the Group had no significant investment for the year ended 31st December, 2022.

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## **DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2022 (2021: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of the members of the Company will be closed from Thursday, 1st June, 2023 to Wednesday, 7th June, 2023 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Wednesday, 31st May, 2023.



# Corporate Governance Report

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The board of directors (the “**Board**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”), together with its subsidiaries (referred as the “**Group**”) is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2022.

## CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to improvement in its accountability and transparency and thus further instill confidence of its shareholders and the public. Except as described below, throughout the year ended 31st December, 2022, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company has sufficient number of independent non- executive directors with accounting or related financial management expertise.

## THE BOARD

### Composition

As at 31st December, 2022 and at the date of this report, the Board comprises seven directors (“**Directors**”), including three executive Directors and four independent non-executive Directors. The Board members have no financial, business, family or other material/relevant relationships with each other. Members of the Board are composed of experts with various expertise and professional background in different industries, who have worked for the government agencies in the PRC, public listed companies or other entities. All Directors give sufficient time and attention to the affairs of the Group. The particulars of each Director are set out in the section of Directors, Supervisors and Senior Management on pages 29 to 33 of this annual report.

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

In addition, the Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, which has been verified. The Company confirms that no independent non-executive Director has remained in office for more than nine years.

### Access to Independent Views and Opinions by the Board

The Company has put in place a mechanism to ensure that the Board has access to independent views and opinions and reviews the implementation and effectiveness of the mechanism every year.

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

### Delegation by the Board

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

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

### Corporate Governance Functions

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

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and (v) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report. For the year ended 31st December, 2022, the Board has reviewed the Company's corporate governance practices and was of the view that such practices were effective.

## Board Meetings and General Meeting

The Board is principally responsible for formulating and reviewing the overall strategies and the fundamental systems of the Group, and approving major transactions and other material operational and financial matters, as well as annual budget and quarterly, interim and annual results. The Board shall meet, at least, four times a year while extraordinary meetings may be held as required. The full Board held six physical meetings for the financial year ended 31st December, 2022. At least 14 days' notice of all meetings of the Board ("**Board Meetings**") were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion at the Board Meetings. The company secretary (the "**Company Secretary**") assisted the Chairman in preparing the agenda for the Board Meetings, and ensured that the Board procedures and all applicable rules and regulations were observed. The finalised agenda and accompanying board papers were then sent to all Directors at least three days prior to each proposed Board Meeting.

In addition, the Company holds general meeting to maintain an on-going dialogue with Shareholders. For the year ended 31st December, 2022, the Board held 6 regular meetings and 3 general meeting.

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

Attendants	Number of meetings attended/Total
<b>Executive Directors</b>	
Mr. Li He ( <i>chairman of the Board, hereinafter referred to as the "Chairman"</i> )	6/6
Ms. Yang Ling ( <i>appointed on 28th June, 2022</i> )	3/6
Mr. Jiang Dayong ( <i>appointed on 28th June, 2022</i> )	3/6
Mr. Huang Dong ( <i>resigned on 28th June, 2022</i> )	3/6
Mr. Tan Xinmin ( <i>resigned on 28th June, 2022</i> )	3/6
<b>Independent non-executive Directors</b>	
Mr. Li Lianjun	6/6
Ms. Gu Li	6/6
Mr. Hung Ee Tek	6/6
Mr. He Xinlin ( <i>appointed on 28th June, 2022</i> )	3/6
Mr. Yin Feihu ( <i>resigned on 28th June, 2022</i> )	3/6

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

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

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

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

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

### **Chairman and General Manager of the Group**

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

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

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

During the report period, the Chairman also met the Independent Non-executive Directors each year without the presence of other Directors in accordance with Corporate Governance Code.



## Terms of Appointment and Re-election

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

## Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. During the year ended 31st December, 2022, the Group continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

The participation by individual directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2022 is recorded in the table below.

	Reading materials/in house briefing	Attending seminars/conferences/forums
<b>Executive Directors</b>		
Mr. Li He	✓	✓
Ms. Yang Ling ( <i>appointed on 28th June, 2022</i> )	✓	✓
Mr. Jiang Dayong ( <i>appointed on 28th June, 2022</i> )	✓	✓
Mr. Huang Dong ( <i>resigned on 28th June, 2022</i> )	✓	✓
Mr. Tan Xinmin ( <i>resigned on 28th June, 2022</i> )	✓	✓
<b>Independent non-executive Directors</b>		
Mr. Li Lianjun ( <i>appointed on 21st February, 2022</i> )	✓	✓
Ms. Gu Li	✓	✓
Mr. Hung Ee Tek	✓	✓
Mr. He Xinlin ( <i>appointed on 28th June, 2022</i> )	✓	✓
Mr. Yin Feihu ( <i>resigned on 28th June, 2022</i> )	✓	✓

## COMPANY SECRETARY

Under Rule 3.29 of the Listing Rules, Ms. Chan Ching Yi has confirmed that she has received not less than 15 hours of relevant professional training for the year ended 31st December, 2022.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules, as the code of conduct for securities transactions by the Directors and supervisors of the Company. Following specific enquiry made by the Company, all Directors and supervisors of the Company have confirmed that they have complied with the required standards under the Model Code for the year ended 31st December, 2022.

## REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. He Xinlin, an independent non-executive Director, and other members include Ms. Yang Ling, an executive Director and Mr. Li Lianjun, an independent non-executive Director.

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

For the year ended 31st December, 2022, the Remuneration Committee held three meeting. The individual attendance records of each member are as follows:

Attendants	Number of Meetings	
	Attended/Total	Percentage
Mr. He Xinlin ( <i>Chairman</i> ) ( <i>appointed on 28th June, 2022</i> )	1/3	100%
Ms. Yang Ling ( <i>appointed on 28th June, 2022</i> )	1/3	100%
Mr. Li Lianjun	3/3	100%
Mr. Yin Feihu ( <i>resigned on 28th June, 2022</i> )	2/3	100%
Mr. Huang Dong ( <i>resigned on 28th June, 2022</i> )	2/3	100%
Mr. Qin Ming ( <i>resigned on 21st February, 2022</i> )	N/A	N/A

For the year ended 31st December, 2022, the Remuneration Committee reviewed matters relating to remuneration for the Directors and senior management, and discussed the remuneration policy of the Group.

## NOMINATION COMMITTEE AND APPOINTMENT OF DIRECTORS

### Nomination Committee

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

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

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

For the year ended 31st December, 2022, the Nomination Committee held two meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings	
	Attended/Total	Percentage
Mr. He Xinlin ( <i>Chairman</i> ) ( <i>appointed on 28th June, 2022</i> )	N/A	N/A
Mr. Li He	2/2	100%
Mr. Li Lianjun	2/2	100%
Mr. Yin Feihu ( <i>resigned on 28th June, 2022</i> )	2/2	100%

During the year ended 31st December, 2022, the Nomination Committee reviewed the established policy and procedure for the nomination and appointment of new Directors, and assessed the independence of the independent non-executive Directors. The Nomination Committee reviews annually and during the year reviewed the structure, size, composition and diversity of the Board including the background, experience, balance of skills, age and gender of each Director in respect to the Group's business strategy as well as the structure for the rotation of Directors, and considered that the existing arrangements were appropriate.

## AUDIT COMMITTEE AND ACCOUNTABILITY

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

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

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports and the auditor's report present a true and fair assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Company Secretary keeps the minutes of all Audit Committee meetings. In line with the practices of the Board Meetings and other Committee meetings, draft and finalised minutes of Audit Committee meetings are circulated to all members of the Audit Committee as soon as practicable after each meeting. For the year ended 31st December, 2022, the Audit Committee held four meetings. The individual attendance records of each member are as follows:

Attendants	Number of Meetings	
	Attended/Total	Percentage
Ms. Gu Li ( <i>Chairman</i> )	4/4	100%
Mr. Li Lianjun	4/4	100%
Mr. Hung Ee Tek	4/4	100%

During the year ended 31st December, 2022, the Audit Committee reviewed the final, quarterly and interim results of the Group, and discussed and approved financial and other reports for the year. The Audit Committee also reviewed and discussed the Group's internal audit plans and arrangements for the upcoming year; reviewed the audit fees payable to the external auditors for the year with a recommendation to the Board for approval; and reviewed the external auditors' independence, with a recommendation to the Board for the re-appointment of the current external auditors at the forthcoming annual general meeting (the "AGM") and the Board endorsed the Audit Committee's recommendation on the re-appointment of Pan China Certified Public Accountants LLP ("Pan China") as the external auditors.

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

#### Auditors' remuneration

For the year ended 31st December, 2022, the external auditor of the Company, Pan China, was not engaged in any non-audit services and its fees in respect of the audit services provided are set out below:

Services rendered	2022 RMB'000	2021 RMB'000
Audit services	750	750

#### INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Board regularly reviews at the end of each year, and has reviewed for the year ended 31st December, 2022, through the Audit Committee with the assistance of the internal audit manager (“**Internal Audit Manager**”), the Group’s risk management and internal control systems, including without limitation to financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems of the Group are effective and adequate and there is no non-compliance, impropriety, fraud or other deficiencies that suggest material deficiency in the effectiveness of the risk management and internal control systems of the Group.

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

The Company has put in place procedures and internal controls for the handling and dissemination of inside information in relation to the disclosure of inside information. The Directors, supervisors, management and employees of the Company are required to strictly comply with the statutory requirements, rules and regulations relating to the duty of confidentiality of information and the Company’s internal regulations on inside information to ensure that the disclosure of inside information complies with the requirements of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Company has adopted a whistleblowing policy which is designed to encourage all stakeholders of the Group to express their concerns or report any actual or suspected misconduct in relation to the Group through confidential whistleblowing channels. The Group will handle such reports prudently and will address the concerns raised by the whistleblowers in a fair and appropriate manner.

The Company has incorporated anti-bribery provisions into its staff handbook and provided practical guidance in accordance with section 9 of the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong).

## **DIRECTOR’S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS**

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

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



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

## **RELATIONS WITH SHAREHOLDERS**

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

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

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

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

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

## **SHAREHOLDERS' RIGHTS**

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

## DIVIDEND POLICY

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

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

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

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

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

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

## **AMENDMENTS TO ARTICLES OF ASSOCIATION**

For the year ended 31st December, 2022 and up to the date of this report, the Articles of Association of the Company were approved to be amended in accordance with the special resolutions as set out in the circular of general meetings on 28th June, 2022. For details of such amendments, please refer to the proposed amendments to the Articles of Association as set out in the circular of the general meetings dated 27th May, 2022.

## **INVESTOR RELATIONSHIPS**

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

The Board reviews the shareholder communication policy on an annual basis to ensure a good relationship with shareholders and compliance with the relevant rules and Corporate Governance Code.

# Directors, Supervisors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Li He**, aged 46, a member of the Communist Party of China, graduated from Ningxia University with a dual bachelor's degree in landscape architecture and administrative management. Mr. Li He was awarded a qualification certificate for engineering by the Ministry of Agriculture of China in 2008. He joined Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) (the controlling Shareholder of the Company) as a technician in 2003. He joined the Company in 2005 and has been serving as a deputy general manager of the Company since 2009. Mr. Li He is also an executive director of Akesu Tianye Water Saving Co., Ltd\* (阿克蘇天業節水有限公司) (a wholly-owned subsidiary of the Company) and Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd\* (新疆天業南疆節水農業有限公司) (a wholly-owned subsidiary of the Company), as well as a director of Zhongxinnong Modern Water Saving Technology Company Limited\* (中新農現代節水科技有限公司) (a subsidiary of the Company). Mr. Li was appointed as an executive Director of the Company and Chairman of the Board on 21st February, 2022.

**Ms. Yang Ling**, aged 49, holds a master's degree, graduated from the Party School of the Central Committee of C.P.C with major in economic management, a senior economist and a political engineer, and is currently a member of the Party Committee of Xinjiang Tianye Group, the secretary of the Party Committee of Tianye Water Saving and the chairwoman of Xinjiang Western Agricultural Material Logistics Co., Ltd.\*. She has successively served as a member of the Standing Committee of the Party Committee, Deputy Political Commissar and Chairwoman of the Labor Union of 149th Regiment in Shihezi City of the Eighth Division, and Secretary and Chairwoman of Xinjiang Western Agricultural Material Logistics Co., Ltd.\*.

**Mr. Jiang Dayong**, aged 45, is a member of the Communist Party of China. Mr. Jiang graduated from Central South University of Forestry and Technology, majoring in forestry information management. Mr. Jiang started his career in July 2001, and he successively served as the deputy director and director of the strategy development department of Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) since January 2017. He served as the director of strategic research center in May 2020 and has been the director of the operation and management department of Xinjiang Tianye (Group) Limited\* (新疆天業(集團)有限公司) since October 2021.

**Mr. Huang Dong**, aged 50, who graduated from Xi'an Mining Industry College with a bachelor's degree, is a senior engineer. Previously, he served as deputy general manager and deputy plant president at Xinjiang Shihezi City Zhongfa Chemical Co., Ltd.\* (石河子中發化工有限責任公司) and Shihezi Chemical Plant. Currently, Mr. Huang holds office as the deputy party secretary, deputy general manager and deputy plant president of Xinjiang Shihezi City Zhongfa Chemical Co., Ltd. And Shihezi Chemical Plant, as deputy director at the technology center of Xinjiang Tianye (Group) Co., Ltd., and as director of Xinjiang Tianye Company Limited ("**Tianye Company**"). Mr. Huang resigned as an executive Director of the Company on 28th June, 2022.

**Mr. Tan Xinmin**, aged 54, who graduated from Bingtuan Radio & TV University, Shihezi\* (兵團廣播電視大學石河子分校) with an undergraduate degree, is an assistant accountant. From August 1985 to November 1986, he held office at the Shihezi Beiyue Prison. Subsequently, he took up employment at Shihezi 141st Regiment from December 1986 to October 1999, and at Tianye Plastic Plant from November 1999 to March 2002. Since April 2002, Mr. Tan has been working at Gansu Tianye Water Saving Device Co., Ltd., during which, his positions include accountant, fiscal chief, chairman, and general manager. Currently, he is the executive director and general manager of Gansu Tianye Water Saving Device Co., Ltd. Mr. Tan resigned as an executive Director of the Company on 28th June, 2022.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Li Lianjun**, aged 58, a member of the Communist Party of China, graduated from Shihezi Radio and Television University\* (石河子廣播電視大學) with a bachelor's degree in law. Mr. Li Lianjun was qualified as a lawyer in 1998 and started his career as a professional lawyer in 2003. Besides currently serving as the director of Shanghai Hansheng (Shihezi) Law Firm\* (上海漢盛 (石河子) 律師事務所), Mr. Li Lianjun is currently a member of the Party Committee of the Lawyers Association of Xinjiang Production and Construction Corps\* (兵團律師協會), a vice president of the Lawyers Association of Xinjiang Production and Construction Corps\* and the president of Shihezi Lawyers Association\* (石河子律師協會). Mr. Li Lianjun is well-experienced in providing legal retainer services. Mr. Li Lianjun was appointed as an independent non-executive Director of the Company on 21st February, 2022.

**Ms. Gu Li**, aged 53, who graduated from Xinjiang University of Finance & Economics with a bachelor's degree, is a certified public accountant and a national judicial accounting appraiser. From June 1991 to November 2000, Ms. Gu was a senior staff member and worked as an accountant in the Poverty Alleviation Office of Xinjiang Production and Construction Corps. Since December 2000, she has been responsible for auditing at Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd.\* (新疆新新華通有限責任會計師事務所). From June 2004 to January 2010, Ms. Gu served as the manager of Audit Department 2 of Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd., and was promoted as deputy director of the same firm from January 2010 to January 2012. She has been serving as the director, legal representative and chief accountant of Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd. since 2012. Ms. Gu was appointed as an independent non-executive Director of the Company on 26 February, 2019.

**Mr. Hung Ee Tek**, aged 60, is a member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the United Kingdom. Mr. Hung holds the Master of Arts in International Accounting from the City University of Hong Kong and the Master of Arts in Global China Studies from the Hong Kong University of Science and Technology. Mr. Hung has more than 25 years of experience in audit, accounting and financing. Mr. Hung was appointed as an independent non-executive Director of the Company on 26 February, 2019.

**Mr. He Xinlin**, aged 57, holds a PhD degree obtained from Wuhan University majoring in hydrology and water resources, graduated from Shihezi Agricultural College with a bachelor's degree in farmland water conservancy engineering, a member of China Association for Promoting Democracy and is currently the deputy director of the Academic Committee of Shihezi University. He has successively served as the deputy dean, dean and professor of the School of Water Conservancy and Construction Engineering of Shihezi University. Mr. He Xinlin was appointed as an independent non-executive Director of the Company on 28th June, 2022.

**Mr. Yin Feihu**, aged 70, is an independent non-executive Director. Mr. Yin graduated from China Agricultural University with a master degree in agricultural extension (MAE) and education background in agriculture, chemical engineering, computer and economic management. Currently, Mr. Yin is research associate with Xinjiang Academy of Agricultural And Reclamation Science, as well as a member of the International Geosphere-Biosphere Programme (IGBP), China National Committee, a director of Soil Science Society of China, managing director of Chinese Society of Plant Nutrition And Fertilizer Sciences, deputy director of National Cotton Processing Engineering Technology Research Center, vice chairman of Xinjiang Academy of Agricultural Sciences, vice chairman of Xinjiang Soil And Fertilizer Association, chairman of the Society of Plant Nutrition And Fertilizer Science, Xinjiang Production and Construction Corps, a doctoral tutor with China Agricultural University. He engaged in agricultural research for more than 30 years. Mr. Yin resigned as an independent non-executive Director of the Company on 28th June, 2022.



## SUPERVISORS

**Mr. Wang Zhigang**, aged 48, holds a master's degree, graduated from the Party School of the Central Committee of C.P.C with a major in economics and is a senior engineer. He is currently the deputy secretary of the Party Committee and Chairman of the Labor Union of Tianye Water Saving Company. He has served as the Standing Committee Member of the Disciplinary Committee of Tianye Group, Deputy Secretary of the Party Committee, Secretary of the Disciplinary Committee and Director of the General Department of Tai'an Company (泰安公司). Mr. Wang Zhigang was appointed as an employee supervisor and the Chairman of Supervisory Committee of the Company on 28th June, 2022.

**Mr. Chen Cailai**, aged 39, graduated from Xinjiang Agricultural University with a major in applied chemistry. He obtained a professional qualification of engineer in January 2008. Mr. Chen joined Tianye Holdings in 2007. Mr. Chen has been serving as the member of monitoring office of the party committee of Tianye Holdings since April 2017 and currently is the director of purchasing and supply centre of Tianye Group. He has over ten years of experience in engineering. Mr. Chen was appointed as the Supervisor of the Company in June 2018.

**Mr. Xie Xinghui**, aged 60, who graduated from Chongqing Construction Engineering College\* (重慶建築工程學院) in October 1981 with bachelor's degree, is a senior architect. Previously, Mr. Xie held office as deputy director, director, and deputy president of the Six Design Office of Shihezi Sub-institute of Xinjiang Production and Construction Corps Geotechnical Investigation and Design Institute\* (新疆兵團勘測設計研究院石河子分院設計六所). In March 2003, he served as the president of the Shihezi Sub-institute of Xinjiang Production and Construction Corps Construction Design Institute\* (兵團建工設計研究院石河子分院). Furthermore, he has various official titles, including member of the National Committee of the Chinese People's Political Consultative Conference (Xinjiang Autonomous Region), member of the Standing Committee of the Chinese People's Political Consultative Conference (Shihezi), chairperson of the Revolutionary Committee of the Chinese Kuomintang (Shihezi), executive of Central Entrepreneurship Association of the Revolutionary Committee of the Chinese Kuomintang\* (民革中央企業家聯誼會), vice president of Xinjiang Entrepreneurship Association of the Revolutionary Committee of the Chinese Kuomintang\* (民革新疆企業家聯誼會), and president of Shihezi Entrepreneurship Association\* (石河子企業聯合會). Mr. Xie was appointed as a supervisor of the Company on 26th February, 2019.

## COMPANY SECRETARY

**Ms. Chan Ching Yi**, aged 48, is the company secretary and one of the authorised representatives of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants and has accumulated more than 20 years of financial and auditing experience. She is currently the company secretary of ShiFang Holding Company (stock code: 1831) and an independent non-executive director of Pak Tak International Limited (stock code:2668), both of which are companies listed on the Main Board of the Stock Exchange. She joined the Company in February 2018.

## COMPLIANCE OFFICER

**Mr. Yang Wan Sen**, aged 49, is a deputy general manager of the Company. Mr. Yang graduated from the Central Radio and Television University with a bachelor's degree in administrative management, and obtained a master's degree in agricultural extension in Shenyang Agricultural University in 2017. Mr. Yang was awarded the economist qualification certificate from the Human Resources and Social Security Bureau of Xinjiang Production and Construction Corps in June 2006. He joined the Group in September 2001 and has been a deputy general manager of the Company since October 2011. Mr. Yang was an executive Director of the Company from June 2016 to February 2019.

## SENIOR MANAGEMENT

**Mr. Yang Qiang**, aged 51, is a deputy general manager of the Company. Mr. Yang graduated from Party Institution of the Corps Party Committee with a college major in economic management. Mr. Yang served as deputy chief agronomist of the 134th Regiment of the Eighth Division and director of the Water Management Institute in July 2013; and deputy general manager of Modern Agricultural Investment Co., Ltd. (現代農業投資有限公司) in August 2016. He joined the Group since December 2018 and served as the deputy general manager of the Company.

**Mr. Xiang Duo Wu**, aged 47, the secretary to the Board of the Company with a bachelor's degree, is a certified public accountant. Previously, he served as the responsible person for finance at Xinjiang Shihezi City Changyun Biochemical Co., Ltd., Chemical Plant of Xinjiang Tianye Company Limited, Calcium Carbide Plant of Xinjiang Tianye Company Limited, Xinjiang Tianye (Group) Mining Co, Ltd\*, Xinjiang Tianfu Xinye Energy Co., Ltd.\* (新疆天阜新業能源有限責任公司) and the chairman of Shihezi Beiye Tianyin Asset Management Co., Ltd.\* (石河子北野天音資產管理有限公司), respectively. Mr. Xiang was appointed as the secretary to the Board of the Company in March 2021. He has also been the qualified accountant of the Company since 2022.

**Mr. Li Bao Zhu**, aged 47, chief engineer of the Company. Mr. Li graduated from College of Water Resources and Architectural Engineering of Northwest A & F University with a major in water and soil conservation in 2000 and he obtained a master degree in hydraulic engineering from Northwest A & F University in 2008. He obtained a senior engineer qualification certificate in 2010. Mr. Li joined Tianye Holdings in 2000 and responsible for planning and design of water saving irrigation project. Mr. Li has over ten years of experience in water saving irrigation project design and implementation and relevant technology research. Mr. Li joined the Company in 2015 and was appointed as chief engineer of the Company in June 2016.

## CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there were no changes in the information of the Directors of the Company during the year ended 31st December, 2022.

# Report of the Directors

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The directors of the Company (the “**Directors**”) present their annual report and the audited consolidated financial statements for the year ended 31st December, 2022.

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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

Further discussion and analysis on the relevant businesses stipulated in Schedule 5 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including the discussion on principal risks and uncertainties faced by the Group and future business growth direction are set out in the section headed “Management Discussion and Analysis” on pages 7 to 9 of this annual report.

## **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31st December, 2022 are set out in the consolidated income statement on pages 65 to 67 of this annual report. The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2022 (2021: Nil).

## **FIVE-YEAR FINANCIAL STATEMENT**

A summary of the published results of the Group for the last five financial year as set out on page 257 of this annual report. This summary does not form part of the audit report.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately RMB2,341,000 on acquiring new plants and machines, and approximately RMB2,230,000 on construction in progress. Details of the above and of other movements in construction in progress and the property, plant and equipment of the Group for the year are set out in section I of part V to the consolidated financial statements.

## **SHARE CAPITAL**

Details of movements in the issued share capital of the Company during the year are set out in note 28 of section 1 of part V to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to Shareholders is the retained profits as stated in the financial statements of the Group prepared in accordance with the "Enterprise Accounting Standards – Basic Standards" promulgated by the Ministry of Finance. As at 31st December, 2022, the Group had no reserve available for distribution to shareholders (2021: nil).

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2022, sales to the largest customer and the five largest customers of the Group accounted for approximately 10.24% and 23.05% (2021: 11.45% and 26.59%) of the total turnover of the Group, respectively. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 12.29% and 32.71% (2021: 17.79% and 37.33%) of the total purchase of the Group, respectively. Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS", at no time during the year did a Director, a supervisor, their associates or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Shares of the Company) have an interest in any of the five largest customers or suppliers of the Group.

## DIRECTORS AND SUPERVISORS

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

### Executive Directors:

Mr. Li He (*chairman of the Board, hereinafter referred to as the "Chairman"*)  
*(appointed on 21st February, 2022)*  
 Mr. Huang Dong (*resigned on 28th June, 2022*)  
 Mr. Tan Xinmin (*resigned on 28th June, 2022*)  
 Mr. Chen Lin (*resigned on 21st February, 2022*)  
 Ms. Yang Ling (*appointed on 28th June, 2022*)  
 Mr. Jiang Dayong (*appointed on 28th June, 2022*)

### Independent non-executive Directors

Mr. Yin Feihu (*resigned on 28th June, 2022*)  
 Mr. He Xinlin (*appointed on 28th June, 2022*)  
 Mr. Li Lianjun (*appointed on 21st February, 2022*)  
 Ms. Gu Li  
 Mr. Hung Ee Tek  
 Mr. Qin Ming (*resigned on 21st February, 2022*)

### **Supervisors:**

Mr. Chen Cailai

Mr. Wang Zhigang (*appointed on 28th June, 2022*)

Mr. Xie Xinghui

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

### **DIRECTORS' AND SUPERVISORS' BIOGRAPHIES**

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

### **DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

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

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

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

### **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

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

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

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

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



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

### (A) Domestic Shareholders

As at 31st December, 2022, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than Directors, Supervisors or chief executive) had notified the Company of relevant interests and short positions in the Shares or underlying Shares of the Company:

Name	Capacity	Number of the domestic Shares of the Company held (Note 1)	Approximate percentage of the total issued domestic Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Tianye Company	Beneficial owner	202,164,995(L)	63.75%	38.91%
Xinjiang Tianye (Group) Limited (" <b>Tianye Holdings</b> ") (Note 3)	Beneficial owner	111,721,926(L)	35.23%	21.51%

Notes:

- "L" denotes the person's/entity's long position in the Shares.
- 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).
- Tianye Holdings is interested in approximately 45.14% of the registered capital of Tianye Company.

**(B) H Shareholders**

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

Notes:

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

Save as disclosed above, as at 31st December, 2022, the Directors, Supervisors and chief executive of the Company were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

## CONNECTED AND RELATED PARTY TRANSACTIONS

Pursuant to Rule 14A.56 of the Listing Rule, the Board engaged the auditor of the Company to perform certain agreed procedures in respect of the continuing connected transactions of the Group. The auditor has reported their factual findings on these procedures to the Board. Pursuant to Rule 14A.55 of the Listing Rule, the independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor, and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms or on terms no less favorable than terms available to or from independent third parties, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

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

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

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

- The project construction services framework agreement (the “**Project Construction Services Framework Agreement**”) dated 7 October, 2022 entered into by the substantial shareholder Tianye Holdings, pursuant to which, the Group agreed to provide the Tianye Holdings and/or its subsidiaries (including Tianye Company and/or its subsidiaries and/or its controlled corporations) with project construction services for a period from 1 January, 2022 to 31 December, 2024, at the final price for the services provided by the Group shall be determined after arms’ length negotiations and on normal commercial terms with reference to (i) government-mandated and government-suggested prices; (ii) market prices, and (iii) agreed prices at the relevant time;
- A lease dated 27th September, 2022 in respect of foldable houses entered into between Tianye Holdings (a substantial Shareholder) and its subsidiaries (including Tianye Company and/or its subsidiaries and/or its controlled corporations) for a term commencing from 28th September, 2022 and ending on 26th March, 2023 at the annual rent of RMB149,000.
- Renewed leases dated 15th June, 2022 in respect of the factory premises located at No. 94–22 Bei Yi Road, Shihezi Economic and Technological Development Zone, Xinjiang (新疆石河子經濟技術開發區北一路94–22號) with Tianye Company (a substantial Shareholder) (“**CCT Lease 1**”), for a term from 1st January, 2022 to 31st December, 2024 at the annual rent of RMB272,000 (including property management fee).

Leases dated 1st May, 2022 in respect of the factory premises located at No. 34–1 Bei San Road, Shihezi Economic and Technological Development Zone, Xinjiang (新疆石河子經濟技術開發區北三路34–1號) with Tianye Holdings (a substantial Shareholder), for a term from 1st May, 2022 to 30th April, 2025 at the annual rent of RMB302,610 (including property management fee).

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

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

The above-mentioned project construction services framework agreement and the annual caps for the three years ending 31st December, 2024 were approved by an ordinary resolution of the extraordinary general meeting of the Company held on 30th November, 2022. The details of these transactions were disclosed in the announcement of the Company dated 7th October, 2022, and the circular of the Company dated 14th November, 2022.

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

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

### **Income Guarantee**

The Company, Urumuqi Hongrui Plastic Trade Limited\* (烏魯木齊泓瑞塑化商貿有限公司), Ms. Deng Hongwen (鄧紅文) and Mr. Li Yang (李陽) entered into the capital increase agreement (the “**Capital Increase Agreement**”), pursuant to which the Company agreed to inject additional capital of RMB4,581,200 into Urumuqi Hongrui Plastic Trade Limited\* (“**Increased Amount**”), of which RMB3,100,000 were the registered capital of Urumuqi Hongrui Plastic Trade Limited\* and RMB1,481,200 were treated as capital reserve of Urumuqi Hongrui Plastic Trade Limited\* (the “**Additional Capital**”). For details, reference is made to the circular dated 21 June, 2021 of the Company (the “**Capital Increase Circular**”) and the announcement dated 26 May, 2021.

As disclosed in the section headed “**Income Guarantee and Equity Transfer**” in the Capital Increase Circular of the Company, according to the Capital Increase Agreement, upon Completion, Urumuqi Hongrui Plastic Trade Limited\* is required to guarantee that its subsequent annual (i) operating revenue after tax will not be less than the amount as audited in the previous accounting year and (ii) the return on net assets (i.e. net profit/net assets) will not be less than 12% (the “**Income Guarantee**”). The performance of the Income Guarantee for 2021 was disclosed in the announcement dated 3 November, 2022.

In the light of the fact that the return on net assets accounted in the audited financial statements of Urumuqi Hongrui Plastic Trade Limited\* for 2022 did not meet the guarantee requirements due to the pandemic conditions in Xinjiang in 2022, following negotiations between the parties to the Capital Increase Agreement subject to the terms and conditions thereto, Ms. Deng Hongwen ( 鄧紅文 ) agreed to repay the amount not less than the Increased Amount multiplied by the lending interest rate for the Additional Capital as published by the bank prevailing over the same period, being RMB167,200. As at the issue date of this report, compensation for the Income Guarantee for the operating revenue after tax and the return on net assets under the Capital Increase Agreement has been settled.

### **DIRECTORS' AND SUPERVISORS' INTERESTS IN A COMPETING BUSINESS**

For the year ended 31st December, 2022, the Directors are not aware of any business or interest of the Directors, the Supervisors, the management, Shareholders and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

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

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

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

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

For each of 2021 and 2022, senior management of the Company comprises 5 individuals. The emolument of each of the senior management fell within RMB1,000,000.

### **CORPORATE GOVERNANCE**

A report on the principal corporate governance practices adopted by the Company is set out on pages 16 to 28 of this annual report.



## **PRE-EMPTIVE RIGHTS**

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

## **MANAGEMENT CONTRACTS**

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

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2022.

## **SHARE OPTION SCHEME**

The Company has not adopted any share option scheme.

## **PERMITTED INDEMNITY PROVISION**

During the year ended 31st December, 2022, subject to applicable laws, the Company has taken out and maintained appropriate directors, supervisors and senior management liability insurance coverage against the liabilities that may be incurred by the Directors, Supervisors and senior management of the Company upon executing and performing their duties.

## **CHARGE OF ASSETS**

As at 31st December, 2022, the Group did not have any assets pledged or restricted by guarantee.

## **CHARITABLE DONATIONS**

During the year ended 31st December, 2022, the Group did not make any charitable donations and other donations (2021: nil).

## **COMPLIANCE WITH LAWS AND REGULATIONS**

During the year ended 31st December, 2022, to the knowledge of the Company, the Group had complied with the relevant laws and regulations that have a material impact on the business of the Group in all material aspects and there were no circumstances of material breach or non-compliance of applicable laws and regulations.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2022.

### Taxation exemption

The Company is not aware of any taxation exemption available to the shareholders by virtue of their holding of the Company's securities.

## EVENT AFTER THE REPORTING PERIOD

All significant events subsequent to the reporting period and as at the issue date of this report were contained in the section headed "Management Discussion and Analysis" of this report.

## AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual results for the year ended 31st December, 2022, 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, 2022 with the management.

## AUDITOR

Pan China Certified Public Accountants LLP ("**Pan China**") will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted in the forthcoming annual general meeting to re-appoint Pan China as the auditor of the Group. Pan China was the sole auditor of the Company for 2019, 2020 and 2021.

By order of the Board

**Mr. Li He**

*Chairman*

Xinjiang, the PRC

30th March, 2023

# Report of the Supervisory Committee

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To: All Shareholders

During the year ended 31st December, 2022 (“**Year 2022**”), the supervisory committee (the “**Supervisory Committee**” or the “**Supervisors**”) of the Company, in compliance with the provisions of the Company Law of the People’s Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company (the “**Articles of Association**”), has conducted its work adhering to the fiduciary principle, and has taken up an active role to work faithfully and diligently to safeguard the interests of the shareholders and the benefits of the staff of the Company.

## I. Meetings of the Supervisory Committee

In 2022, the Supervisory Committee met four times in total, details of which are as follows:

1. On 30th March, 2022, the Company held the 13th meeting of the sixth session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Company’s 2022 Supervisory Committee Report”, “the Audited Financial Statements of the Company and Its Subsidiaries and Auditor’s Report for the Year Ended 31st December, 2021”, and “the Annual Report of the Company for the Year Ended 31st December, 2021”.
2. On 20th April, 2022, the Company held the 14th meeting of the sixth session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Unaudited First Quarterly Results of the Company and Its Subsidiaries for the Three Months Ended 31st March, 2022”, and “the First Quarterly Results Report of the Company and Its Subsidiaries for the Three Months Ended 31st March, 2022”.
3. On 16th August, 2022, the Company held the first meeting of the seventh session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Unaudited Interim Results of the Company and Its Subsidiaries for the Six Months Ended 30th June, 2022”, and “the Interim Results Report of the Company and Its Subsidiaries for the Six Months Ended 30th June, 2022”.
4. On 25th October, 2022, the Company held the second meeting of the seventh session of the Supervisory Committee by means of a video teleconference, whereby considering and approving “the Unaudited Third Quarter Results of the Company and Its Subsidiaries for the Nine Months Ended 30th September, 2022”, and “the Third Quarterly Results Report of the Company and Its Subsidiaries for the Nine Months Ended 30th September, 2022”.

## II. Supervision of the Company's Work in 2022

In Year 2022, the Supervisors reviewed the operations of the Company and major issues, attended the meetings of the Directors of the Company, provided reasonable recommendation and advice to the Board and effectively monitored the members of the Board and senior management of the Company in performing their duties.

The Supervisory Committee is of the view that:

1. the Company's operation in the Year 2022 complied with the relevant laws and regulations of the state and local governments of the PRC and the provisions of the Articles of Association;
2. the Directors and managers of the Company performed their duties in strict compliance of the relevant rules and regulations for the development of the Company. They carried out their work diligently without violating any laws and regulations or the Articles of Association, and had not conducted any activities which were against the interests of the Company, and acted faithfully in exercising their authorities;
3. the connected transactions of the Company, which have fully complied with the relevant provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, were fair and reasonable. We have not discovered any act that prejudiced the interests of the Company;
4. the Supervisory Committee's role in monitoring the management of the Company was strengthened by attending Board meetings, participating in the decision-making process of the management and reviewing regularly the financial statements and accounts of the Company. The Supervisory Committee believes that the financial management of the Company was performed in strict compliance with the relevant accounting principles, that the financial statements and accounts were prepared timely and properly, and that no improper disclosures were identified; and
5. the Supervisory Committee has verified the financial information of the Group such as the financial statements and reports of results to be submitted to the forthcoming general meeting of Shareholders by the Board, and is satisfied with the Report of the Directors and the audited financial statements of the Group. The Supervisory Committee believes that the audited financial statements for Year 2022 have reflected truly and fairly the conditions of the operating results and the assets of the Company and of the Group.

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

By order of the Supervisory Committee

**Wang Zhigang**

*Chairman of the Supervisory Committee*

Xinjiang, the PRC

30th March, 2022



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

## 1. AUDIT OPINION

We have audited the financial statements of Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as “Tianye Water Saving Company”), which comprise the consolidated and the Parent Company’s balance sheets as at 31st December, 2022, the consolidated and the Parent Company’s income statement, the consolidated and the Parent Company’s statement of cash flows, the consolidated and the Parent Company’s statement of changes in owners’ equity for the year 2022, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises (ASBE) in all material aspects and give a true and fair view of the consolidated and the Parent Company’s financial position of Tianye Water Saving Company as at 31st December, 2022 and of its consolidated and the Parent Company’s operating results and cash flows for 2022.

## II. BASIS OF OPINIONS

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

### III. KEY AUDIT MATTERS

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

#### (I) Revenue recognition

##### 1. Description

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

Operating income of Tianye Water Saving Company was mainly derived from the trade and sales of chemical materials and the sales of goods, such as drip tapes and drip assemblies, PVC materials for water supply pipes, PE piping materials and accessories, as well as the provision of installation services. The operating income of Tianye Water Saving Company for the year 2022 was RMB1,443,455,200, of which the income from the sales of chemical materials was RMB778,226,900, accounting for 53.91% of the operating income, and the project income was RMB379,856,500, accounting for 26.32% of the operating income.

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



## 2. Application for auditing

Our major audit procedures for revenue recognition include:

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

### (II) Provision for impairment of inventories

#### 1. Description

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

As of 31st December, 2022, the book balance of inventories of Tianye Water Saving Company was RMB388,081,200, and provision made for impairment of inventories was RMB46,776,500, and carrying amount was RMB341,404,700. Since the amount of inventories is significant and the provision for impairment of inventories depends on the estimation of the net realizable value of inventories, the provision for impairment of inventories is therefore recognised as a key audit matter.

## 2. Application for auditing

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

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

## IV. OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pan-China Certified Public Accountants LLP      Certified Public  
Accountant:  
(Project Partner)

Certified Public  
Accountant:

**Hangzhou, the People's Republic of China**

30th March, 2023

# Consolidated Balance Sheet (Assets)

31st December, 2022

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Assets	Note	Closing balance	Closing balance of previous year
<b>Current assets:</b>			
Cash	1	<b>238,746,479.45</b>	148,327,828.94
Security deposits for settlement			
Interbank lending to banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Bill receivables			
Trade receivables	2	<b>124,846,903.06</b>	150,168,618.13
Account receivable financing	3	<b>8,510,375.00</b>	4,921,714.35
Prepayments	4	<b>42,566,613.87</b>	26,382,833.79
Premium receivables			
Amounts due from reinsurers			
Reinsurance contract reserve receivables			
Other receivables	5	<b>31,436,680.73</b>	24,637,951.34
Financial assets purchased to resell			
Inventories	6	<b>341,404,664.56</b>	362,654,966.08
Contract assets			
Assets held-for-trading			
Non-current assets due within one year			
Other current assets	7	<b>7,078,177.42</b>	4,321,880.22
<b>Total current assets</b>		<b>794,589,894.09</b>	721,415,792.85

Assets	Note	Closing balance	Closing balance of previous year
<b>Non-current assets:</b>			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	8	<b>1,315,145.99</b>	1,954,210.08
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	9	<b>115,849,862.84</b>	122,149,251.06
Construction in progress	10	<b>6,452,353.32</b>	5,614,607.42
Biological assets for production	11	<b>33,143,983.98</b>	29,102,244.37
Oil and gas assets			
Right-of-use assets	12	<b>41,691,182.2</b>	47,397,086.43
Intangible assets	13	<b>17,422,707.38</b>	18,980,843.07
Development expenses	14	<b>10,568,709.31</b>	8,472,125.26
Goodwill			
Long-term deferred expenses	15	<b>6,077,296.39</b>	7,131,253.86
Deferred income tax assets	16	<b>2,249,032.01</b>	2,606,427.29
Other non-current assets	17	<b>50,000.00</b>	152,600.00
Total non-current assets		<b>234,820,273.42</b>	243,560,648.84
Total assets		<b>1,029,410,167.51</b>	964,976,441.69

Legal representative:


Responsible person for  
accounting:

Responsible person for  
accountant:




# Consolidated Balance Sheet (Liabilities and Owners' Equity (or Shareholders' Equity))

31st December, 2022

AC01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Liabilities and owners' equity (or shareholders' equity)	Note	Closing balance	Closing balance of previous year
<b>Current liabilities:</b>			
Short-term borrowings	18	<b>89,105,813.89</b>	43,418,100.54
Loans from central bank			
Interbank borrowing funds			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bill payables			
Trade payables	19	<b>333,094,316.80</b>	232,012,313.59
Receipts in advance			
Contract liabilities	20	<b>49,131,175.61</b>	48,141,781.90
Sale and buy-back financial assets			
Deposit taking from customers and placement from banks and other financial institutions			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee remuneration payables	21	<b>5,923,116.93</b>	7,790,197.03
Tax and levy payables	22	<b>8,272,174.64</b>	2,831,408.43
Other payables	23	<b>33,140,516.98</b>	34,918,398.67
Fees and commission payables			
Amounts due to reinsurers			
Liabilities held-for-trading			
Non-current liabilities due within one year	24	<b>2,676,912.83</b>	5,846,769.64
Other current liabilities	25	<b>3,802,030.99</b>	3,919,171.61
<b>Total current liabilities</b>		<b>525,146,058.67</b>	378,878,141.41

## Consolidated Balance Sheet (Liabilities and Owners' Equity (or Shareholders' Equity))

31st December, 2022

Liabilities and owners' equity (or shareholders' equity)	Note	Closing balance	Closing balance of previous year
<b>Non-current liabilities:</b>			
Provision for insurance contracts			
Long-term borrowings			
Bond payables			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	26	<b>41,242,207.43</b>	43,615,956.46
Long-term payables			
Long-term employee remuneration payables			
Provisions			
Deferred income	27	<b>16,224,673.93</b>	13,390,484.86
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		<b>57,466,881.36</b>	57,006,441.32
Total liabilities		<b>582,612,940.03</b>	435,884,582.73

Consolidated Balance Sheet (Liabilities and Owners' Equity (or Shareholders' Equity))

31st December, 2022

Liabilities and owners' equity (or shareholders' equity)	Note	Closing balance	Closing balance of previous year
<b>Shareholders' equity:</b>			
Share capital	28	<b>519,521,560.00</b>	519,521,560.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	29	<b>26,456,445.54</b>	26,198,138.96
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve	30	<b>34,724,097.27</b>	34,724,097.27
General risk provisions			
Undistributed profit	31	<b>-154,691,412.75</b>	-76,515,393.17
<hr/>			
Total owners' equity attributable to Parent Company		<b>426,010,690.06</b>	503,928,403.06
Minority interest		<b>20,786,537.42</b>	25,163,455.90
<hr/>			
Total owners' equity		<b>446,797,227.48</b>	529,091,858.96
<hr/>			
Total liabilities and owners' equity		<b>1,029,410,167.51</b>	964,976,441.69


Legal representative:



Responsible person for  
accounting:



Responsible person for  
accountant:



# Balance Sheet of the Parent Company (Assets)

31st December, 2022

AE01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Assets	Note	Closing balance	Closing balance of previous year
<b>Current assets:</b>			
Cash		<b>87,549,779.45</b>	90,397,884.77
Financial assets held for trading			
Derivative financial assets			
Bill receivables			
Trade receivables	1	<b>43,646,437.42</b>	47,226,427.51
Account receivable financing		<b>5,790,283.00</b>	1,000,000.00
Prepayments		<b>17,541,358.89</b>	4,810,831.33
Other receivables	2	<b>108,347,173.53</b>	128,013,350.98
Inventories		<b>144,734,298.78</b>	134,315,077.20
Contract assets			
Assets held-for-trading			
Non-current assets due within one year			
Other current assets		<b>9,142,473.35</b>	353,233.37
<b>Total current assets</b>		<b>416,751,804.42</b>	406,116,805.16
<b>Non-current assets:</b>			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	3	<b>168,515,094.70</b>	181,776,695.35
Investment in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		<b>55,573,259.16</b>	58,229,506.61
Construction in progress		<b>4,091,536.27</b>	5,614,607.42
Biological assets for production		<b>33,143,983.98</b>	29,102,244.37
Oil and gas assets			
Right-of-use assets		<b>37,853,915.75</b>	41,492,740.46
Intangible assets		<b>8,768,976.18</b>	10,118,621.57
Development expenses		<b>10,568,709.31</b>	8,472,125.26
Goodwill			
Long-term deferred expenses		<b>2,406,788.86</b>	3,202,710.37
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>320,922,264.21</b>	338,009,251.41
<b>Total assets</b>		<b>737,674,068.63</b>	744,126,056.57

Legal representative:



Responsible person for  
accounting:



Responsible person for  
accountant:



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

31st December, 2022

AE01

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Liabilities and owners' equity	Note	Closing balance	Closing balance of previous year
<b>Current liabilities:</b>			
Short-term borrowings		<b>80,091,513.89</b>	30,035,291.67
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bill payables			
Trade payables		<b>89,107,412.58</b>	81,664,485.72
Receipts in advance			
Contract liabilities		<b>10,182,399.91</b>	3,807,345.06
Employee remuneration payables		<b>4,422,439.40</b>	5,011,083.42
Tax and levy payables		<b>1,619,228.38</b>	1,241,886.99
Other payables		<b>57,110,133.93</b>	62,126,926.62
Liabilities held-for-trading			
Non-current liabilities due within one year		<b>1,562,116.65</b>	2,020,949.79
Other current liabilities		<b>1,104,921.32</b>	494,954.84
<b>Total current liabilities</b>		<b>245,200,166.06</b>	186,402,924.11

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

31st December, 2022

Liabilities and owners' equity	Note	Closing balance	Closing balance of previous year
<b>Non-current liabilities:</b>			
Long-term borrowings			
Bond payables			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		<b>38,986,973.71</b>	40,924,292.11
Long-term payables			
Long-term employee remuneration payables			
Provisions			
Deferred income		<b>15,705,455.40</b>	12,677,727.14
Deferred income tax liabilities			
Other non-current liabilities			
<hr/>			
Total non-current liabilities		<b>54,692,429.11</b>	53,602,019.25
<hr/>			
Total liabilities		<b>299,892,595.17</b>	240,004,943.36

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

31st December, 2022

Liabilities and owners' equity	Note	Closing balance	Closing balance of previous year
<b>Shareholders' equity:</b>			
Share capital		<b>519,521,560.00</b>	519,521,560.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		<b>25,124,676.47</b>	25,124,676.47
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		<b>34,724,097.27</b>	34,724,097.27
Unallocated profit		<b>-141,588,860.28</b>	-75,249,220.53
Total owners' equity		<b>437,781,473.46</b>	504,121,113.21
<hr/>			
Total liabilities and owners' equity		<b>737,674,068.63</b>	744,126,056.57

Legal representative:



Responsible person for accounting:



Responsible person for accountant:





# Consolidated Income Statement

2022

AC02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Note	Current period	Corresponding period last year
<b>I. Total operating income</b>		<b>1,443,455,236.34</b>	1,111,618,028.66
Including: Operating income	1	<b>1,443,455,236.34</b>	1,111,618,028.66
Interest income			
Premium earned			
Fees and commission income			
<b>II. Total operating costs</b>		<b>1,500,826,756.68</b>	1,131,998,500.66
Including: Operating costs	2	<b>1,422,700,127.79</b>	1,042,365,231.80
Interest expenses			
Fees and commission expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Bond insurance expenses			
Reinsurance costs			
Business taxes and surcharges		<b>4,087,820.55</b>	4,300,107.97
Distribution costs	3	<b>23,078,315.07</b>	26,716,577.81
Administrative expenses	4	<b>41,647,330.08</b>	47,455,130.76
Research and development expenses	5	<b>6,762,506.43</b>	7,707,953.62
Finance costs	6	<b>2,550,656.76</b>	3,453,498.70
Including: Interest expenses		<b>2,994,011.91</b>	3,874,065.10
Interest income		<b>589,123.36</b>	578,562.66
Add: Other income	7	<b>6,351,459.47</b>	4,934,342.10
Investment income (loss is denoted as “—”)	8	<b>-639,064.09</b>	-644,860.83
Including: Investment income from associates and joint venture		<b>-639,064.09</b>	-644,860.83
Derecognition of gains from financial assets measured at amortization costs			
Exchange gain (loss is denoted as “—”)			
Net exposure to hedging gains (loss is denoted as “—”)			
Gain on changes in fair value (loss is denoted as “—”)			
Impairment loss on credit (loss is denoted as “—”)	9	<b>-10,386,628.08</b>	-14,361,537.20
Impairment loss on assets (loss is denoted as “—”)	10	<b>-22,931,496.57</b>	-33,458,115.46
Gain on disposal of assets (loss is denoted as “—”)	11	<b>863,853.14</b>	399,742.65

Item	Note	Current period	Corresponding period last year
<b>III. Operating profits (loss is denoted as “-”)</b>		<b>-84,113,396.47</b>	-63,510,900.74
Add: Non-operating income	12	<b>3,942,948.79</b>	1,012,447.55
Less: Non-operating expenses	13	<b>249,060.66</b>	346,361.09
<b>IV. Total profits (total losses are denoted as “-”)</b>		<b>-80,419,508.34</b>	-62,844,814.28
Less: Income tax expenses	14	<b>990,573.14</b>	1,971,109.03
<b>V. Net profits (net loss is denoted as “-”)</b>		<b>-81,410,081.48</b>	-64,815,923.31
(I) Classified by operation continuity:			
1. Net profits from continuing operation (net loss is denoted as “-”)		<b>-81,410,081.48</b>	-64,815,923.31
2. Net profits from discontinued operation (net loss is denoted as “-”)			
(II) Classification by ownership:			
1. Net profits attributable to owners of the Parent Company (net loss is denoted as “-”)		<b>-78,176,019.58</b>	-66,836,302.00
2. Gain or loss of minority interests (net loss is denoted as “-”)		<b>-3,234,061.90</b>	2,020,378.69
<b>VI. Net other comprehensive income after tax</b>			
Net other comprehensive income after tax attributable to owners of the Parent Company			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Re-measurement of changes under defined benefit schemes			
2. Other comprehensive income from non-transferable gains and losses under equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in the fair value of the enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income from transferable gains and losses under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences arising from translation of foreign currency denominated financial statements			
7. Others			
Net other comprehensive income after tax attributable to minority interests			

Item	Note	Current period	Corresponding period last year
<b>VII. Total comprehensive income</b>		<b>-81,410,081.48</b>	-64,815,923.31
Total comprehensive income attributable to owners of the parent company		<b>-78,176,019.58</b>	-66,836,302.00
Total comprehensive income attributable to minority interests		<b>-3,234,061.90</b>	2,020,378.69
<b>VIII. Earnings per share:</b>			
(1) Basic earnings per share		<b>-0.15</b>	-0.13
(2) Diluted earnings per share		<b>-0.15</b>	-0.13

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



# Income Statement of the Parent Company

2022

AE02

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

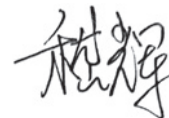
Expressed in RMB

Item	Notes	Current period	Corresponding period last year
<b>I. Operating income</b>	1	<b>131,554,041.78</b>	202,191,941.22
Less: operating costs		<b>128,646,379.04</b>	186,605,230.90
Business taxes and surcharges		<b>1,540,885.71</b>	1,429,838.52
Distribution costs		<b>10,645,568.00</b>	10,331,389.70
Administrative expenses		<b>21,017,681.13</b>	24,929,381.85
Research and development expenses	2	<b>4,706,296.97</b>	4,134,563.17
Finance costs		<b>1,290,265.41</b>	2,440,092.01
Including: Interest expenses		<b>1,929,019.74</b>	3,118,633.98
Interest income		<b>682,504.12</b>	724,962.96
Add: Other income		<b>4,412,633.81</b>	3,980,572.15
Investment income (loss is denoted as “-”)	3	<b>-639,064.09</b>	-2,461,990.16
Including: Investment income from			
associates and joint venture		<b>-639,064.09</b>	-644,860.83
Derecognition of gains from			
financial assets measured at			
amortization costs			
Net exposure to hedging gains			
(loss is denoted as “-”)			
Gain on changes in fair value			
(loss is denoted as “-”)			
Impairment loss on credit			
(loss is denoted as “-”)		<b>-2,191,620.93</b>	-5,024,696.26
Impairment loss on assets			
(loss is denoted as “-”)		<b>-31,508,934.97</b>	-24,386,237.11
Gain on disposal of assets			
(loss is denoted as “-”)		<b>-78,445.52</b>	71,600.13
<b>II. Operating profits (loss is denoted as “-”)</b>		<b>-66,298,466.18</b>	-55,499,306.18
Add: Non-operating income		<b>64,520.50</b>	181,434.70
Less: Non-operating expenses		<b>105,694.07</b>	137,871.25
<b>III. Total profits (total losses are denoted as “-”)</b>		<b>-66,339,639.75</b>	-55,455,742.73
Less: Income tax expenses			
<b>IV. Net profits (net loss is denoted as “-”)</b>		<b>-66,339,639.75</b>	-55,455,742.73
(I) Net profits from continuing operation			
(net loss is denoted as “-”)		<b>-66,339,639.75</b>	-55,455,742.73
(II) Net profits from discontinued operation			
(net loss is denoted as “-”)			

Item	Notes	Current period	Corresponding period last year
<b>V. Net other comprehensive income after tax</b>			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Re-measurement of changes under defined benefit schemes			
2. Other comprehensive income from non-transferable gains and losses under equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in the fair value of the enterprise's own credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income from transferable gains and losses under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences arising from translation of foreign currency denominated financial statements			
7. Others			
<b>VI. Total comprehensive income</b>		<b>-66,339,639.75</b>	-55,455,742.73
<b>VII. Earnings per share:</b>			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative:


Responsible person for  
accounting:

Responsible person for  
accountant:


# Consolidated Cash Flows Statement

2022

AC03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Notes	Current period	Corresponding period last year
<b>I. Cash flow generated from operating activities:</b>			
Cash received from sale of goods and rendering of services		<b>1,589,335,536.66</b>	1,264,410,151.55
Net increase in deposit taking from customers and placement from banks and other financial institutions			
Net increase in loans from central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from premiums on direct insurance contracts			
Net cash received from reinsurance operation			
Net increase in insured's deposits and investments			
Cash received for interest, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in funds from repurchases			
Net cash received from customer brokerage deposits			
Refund of taxes and levies received		<b>539,345.44</b>	
Other cash received relating to operating activities	1	<b>44,768,781.85</b>	16,706,539.91
Sub-total of cash inflow from operating activities		<b>1,634,643,663.95</b>	1,281,116,691.46

Item	Notes	Current period	Corresponding period last year
Cash paid for purchase of goods and services received		1,425,777,797.59	1,114,424,118.05
Net increase in customers' loans and advance			
Net increase in central bank and interbank placement			
Cash paid for claim settlements on direct insurance contracts			
Net increase in interbank lending to banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		59,420,346.66	64,178,961.68
Payments of all types of taxes and levies		25,363,241.68	18,545,661.30
Other cash paid relating to operating activities	2	63,783,904.24	35,099,211.22
Sub-total of cash outflow from operating activities		1,574,345,290.17	1,232,247,952.25
Net cash flow generated from operating activities		60,298,373.78	48,868,739.21
<b>II. Cash flow generated from investment activities:</b>			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		23,097.34	137,903.59
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities	3	5,716,558.17	
Sub-total of cash inflow from investment activities		23,097.34	5,854,461.76



Item	Notes	Current period	Corresponding period last year
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		6,570,564.35	16,236,562.67
Cash paid for investments			
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities			
Sub-total of cash outflow from investment activities		6,570,564.35	16,236,562.67
Net cash flow generated from investment activities		-6,547,467.01	-10,382,100.91
<b>III. Cash flow generated from financing activities:</b>			
Cash received from capital contribution		6,350,000.00	
Including: Cash received by subsidiaries from capital contribution of minority interest		6,350,000.00	
Cash received from loans obtained		96,201,388.29	43,947,439.17
Other cash received relating to financing activities	4	2,201,251.00	
Sub-total of cash inflow from financing activities		96,201,388.29	52,498,690.17
Cash paid for debt services		50,564,748.29	53,580,000.00
Cash paid for distribution of dividends, profit or interest expenses		2,821,393.67	1,862,551.97
Including: Dividends and profit payable by subsidiaries to minority interest			
Other cash paid relating to financing activities	5	4,459,598.22	6,796,155.31

Item	Notes	Current period	Corresponding period last year
Sub-total of cash outflow from financing activities		57,845,740.18	62,238,707.28
Net cash flow generated from financing activities		38,355,648.11	-9,740,017.11
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>		<b>0.62</b>	-278.83
<b>V. Net increase in cash and cash equivalents</b>		<b>92,106,555.50</b>	28,746,342.36
Add: balance of cash and cash equivalents at the beginning of the period	1	144,117,032.09	115,370,689.73
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	1	<b>236,223,587.59</b>	144,117,032.09

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



# Cash Flows Statement of the Parent Company

2022

AE03

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Expressed in RMB

Item	Notes	Current period	Corresponding period last year
<b>I. Cash flow generated from operating activities:</b>			
Cash received from sale of goods and rendering of services		144,864,294.15	268,781,639.30
Refund of taxes and levies received		3,381.24	
Other cash received relating to operating activities		34,566,758.57	38,321,183.71
Sub-total of cash inflow from operating activities		179,434,433.96	307,102,823.01
Cash paid for purchase of goods and services received		149,662,698.40	175,283,411.72
Cash paid to and on behalf of employees		28,492,795.26	36,416,138.84
Payments of all types of taxes and levies		6,084,059.77	2,796,453.15
Other cash paid relating to operating activities		33,874,078.76	40,573,217.29
Sub-total of cash outflow from operating activities		218,113,632.19	255,069,221.00
Net cash flow generated from operating activities		-38,679,198.23	52,033,602.01
<b>II. Cash flow generated from investment activities:</b>			
Cash received from recovery of investments		2,201,251.00	
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		23,097.34	
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities			
Sub-total of cash inflow from investment activities		23,097.34	2,201,251.00

Item	Notes	Current period	Corresponding period last year
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		<b>3,286,841.86</b>	12,897,327.53
Cash paid for investments		<b>5,000,000.00</b>	10,231,200.00
Net cash paid for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities			
Sub-total of cash outflow from investment activities		<b>8,286,841.86</b>	23,128,527.53
Net cash flow generated from investment activities		<b>-8,263,744.52</b>	-20,927,276.53
<b>III. Cash flow generated from financing activities:</b>			
Cash received from capital contribution			
Cash received from loans obtained		<b>80,000,000.00</b>	30,000,000.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		<b>80,000,000.00</b>	30,000,000.00
Cash paid for debt services		<b>30,000,000.00</b>	50,000,000.00
Cash paid for distribution of dividends, profit or interest expenses		<b>1,856,712.81</b>	1,415,180.53
Other cash paid relating to financing activities		<b>2,158,845.16</b>	3,589,626.24
Sub-total of cash outflow from financing activities		<b>34,015,557.97</b>	55,004,806.77
Net cash flow generated from financing activities		<b>45,984,442.03</b>	-25,004,806.77

Item	Notes	Current period	Corresponding period last year
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			-277.89
<b>V. Net increase in cash and cash equivalents</b>		<b>-958,500.72</b>	6,101,240.82
Add: balance of cash and cash equivalents at the beginning of the period		<b>87,445,388.31</b>	81,344,147.49
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>86,486,887.59</b>	87,445,388.31

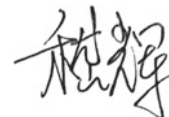
Legal representative:



Responsible person for accounting:



Responsible person for accountant:





# Statement of Changes in Owners' Equity of the Parent Company

2022

AE04  
Expressed in RMB

Prepared by: Xinjiang Tianye Water Saving Irrigation System Company Limited

Items	Current period				Corresponding period of last year			
	Paid-in capital (or share capital)	Other equity instruments Preference shares	Capital reserve	Surplus reserve	Less: treasury shares	Other comprehensive income	Undistributed profit	Total owners' equity
<b>I. Closing balance of previous year</b>	519,321,550.00		25,124,676.47	34,724,997.27			34,724,997.27	559,576,855.94
Add: Changes in accounting policies								
Correction of errors of previous periods								
Others								
<b>II. Opening balance of the year</b>	519,321,550.00		25,124,676.47	34,724,997.27			34,724,997.27	559,576,855.94
<b>III. Increase/decrease in the current period</b>								
(Increase is denoted as "+")								
(I) Total comprehensive income								
(II) Capital contribution and reduction by owners								
1. Ordinary shares from owners								
2. Capital contribution by holders of other equity instruments								
3. Amount of share-based payment included in owners' equity								
4. Others								
(III) Profit appropriation								
1. Transfer to surplus reserve								
2. Appropriation to owners (or shareholders)								
3. Others								
(IV) Internal transfer of owners' equity								
(V) Capitalization of capital reserve to capital (or share capital)								
2. Capitalization of surplus reserve to capital (or share capital)								
3. Surplus reserve for making up losses								
4. Transfer of change amount of defined benefit schemes to related benefits								
5. Transfer of other comprehensive income to related earnings								
6. Others								
(VI) Special reserve								
1. Transfer for the period								
2. Utilised during the period								
(VII) Others								
<b>IV. Closing balance for the period</b>	519,321,550.00		25,124,676.47	34,724,997.27			34,724,997.27	594,121,113.21

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Expressed in RMB

## I. BASIC INFORMATION ON THE COMPANY

Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as the “Company”) was co-founded by the joint investment from Xinjiang Tianye Company Limited and Xinjiang Shihezi Yunfa Investment Company Limited (新疆石河子運發投資有限責任公司). It was registered with the Administration for Industry & Commerce of Xinjiang Uygur Autonomous Region on 27th December, 1999, and is headquartered in Shihezi City, Xinjiang Uygur Autonomous Region. The creditability code of its Business License of Enterprise Legal Person is 91650000757655578C and its registered capital is RMB519,521,560.00, comprising 519,521,560 shares of RMB1 each in aggregate, of which 317,121,560 are domestic shares held by legal persons and 202,400,000 are overseas H shares. The Company transferred its share listing from the Growth Enterprise Market (“GEM”) of the Stock Exchange to the Main Board of the Hong Kong Stock Exchange on 24th January, 2008, with its Stock Code changed from 8280 to 00840.

The Company operates in the plastic product manufacturing industry. Its business scope mainly covers production and sale of PVC/PE water-saving products for water supply and accessories, drip tapes and drippers, sales of chemical plastic raw materials, water conservancy and hydropower engineering construction services as well as the land-based agricultural services.

These financial statements had been approved by the sixth meeting of the seventh session of the Board on 30th March, 2023 for publication.

The Company included the following 13 subsidiaries into the consolidated financial statements for the period. For details, please refer notes 6 and 7 to these financial statements.

Subsidiary name	Short name
Gansu Tianye Water Saving Device Co., Ltd	Gansu Tianye
Kuitun Tiantun Water Saving Co., Ltd*	Kuitun Water Saving
Akesu Tianye Water Saving Co., Ltd*	Akesu Tianye
Shihezi Tiancheng Water Saving Device Co., Ltd	Tiancheng Water Saving
Liaoning Tianye Water Saving Irrigation Co., Ltd*	Liaoning Tianye
Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd*	Nanjiang Water Saving
Zhongxinnong Modern Water Saving Technology Company Limited*	Zhongxinnong Water Saving
Xinjiang Tianye Wisdom Agriculture Technology Company Limited*	Wisdom Agriculture
Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.*	Xiyu Water Conservancy
Shihezi Tianye Xiying Water Saving Device Co., Ltd.*	Xiying Water Saving
Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.*	Tianfu Ecological
Urumuqi Hongrui Plastic Trade Limited	Hongrui Plastic
Xinjiang Tianye Modern Agricultural Technology Co., Ltd.	Modern Agricultural



## **II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

### **(I) Basis of preparation**

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

### **(II) Abilities to continue as a going concern**

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

## **III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

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

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

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

### **(II) Accounting Period**

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

### **(III) Operating cycle**

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

### **(IV) Functional currency**

Renminbi is being adopted as the functional currency.

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

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

##### 1. Accounting treatment for business combinations under common control

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

##### 2. Accounting treatment for business combinations not under common control

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

#### (VI) Preparation basis of the consolidated financial statements

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

#### (VII) Recognition criteria of cash and cash equivalents

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

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

#### (VIII) Translation of operation denominated in foreign currency

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

#### (IX) Financial instruments

##### 1. Classification of financial assets and financial liabilities

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

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

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

#### (IX) Financial instruments *(continued)*

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

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

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

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

###### 1) Financial assets measured at amortized cost

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

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

#### (IX) Financial instruments *(continued)*

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

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

##### 2) Investments in debt instruments at FVOCI

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

##### 3) Investments in equity instruments at FVOCI

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

##### 4) Financial assets at FVTPL for the current period

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

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

#### (IX) Financial instruments *(continued)*

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

##### (3) Subsequent measurement of financial liabilities

##### 1) Financial liabilities at FVTPL for the current period

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

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

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

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

#### (IX) Financial instruments *(continued)*

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

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

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

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

- 4) Financial liabilities measured at amortized cost

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

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

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

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

#### (IX) Financial instruments *(continued)*

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

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

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



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

#### (IX) Financial instruments *(continued)*

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

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

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

##### 5. Impairment of financial instruments

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

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

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

#### (IX) Financial instruments *(continued)*

##### 5. Impairment of financial instruments *(continued)*

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

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

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

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

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

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

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

#### (IX) Financial instruments *(continued)*

##### 5. Impairment of financial instruments *(continued)*

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

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

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

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

###### (2) *Financial instruments for assessing expected credit risk by groups and measuring ECLs by adopting a three-phase model*

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

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

#### (IX) Financial instruments *(continued)*

##### 5. Impairment of financial instruments *(continued)*

(3) Trade receivables for measuring ECLs by groups by using a simplified measurement method

1) Defining groups and approach for measuring ECLs

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

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

#### (IX) Financial instruments *(continued)*

##### 5. Impairment of financial instruments *(continued)*

(3) Trade receivables for measuring ECLs by groups by using a simplified measurement method *(continued)*

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

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

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

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

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

#### (IX) Financial instruments *(continued)*

##### 6. Offset of financial assets and financial liabilities

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

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

#### (X) Inventories

##### 1. Classifications of inventories

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

##### 2. Cost of inventories transferred out

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

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

#### (X) Inventories *(continued)*

##### 3. Basis for determination of net realizable value of inventories

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

##### 4. Inventory-taking system

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

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

(1) *Low-value consumables*

One-off amortization method shall apply.

(2) *Packaging materials*

One-off amortization method shall apply.

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

#### (XI) Contract costs

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

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

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

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

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

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



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

#### (XII) Long-term equity investment

##### 1. Determination of joint control or significant influence

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

##### 2. Determination of investment cost

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

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

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

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

##### 2. Determination of investment cost *(continued)*

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

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

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

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

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

##### 3. Subsequent measurement and recognition of profit or loss

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

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

###### (1) *Individual financial statements*

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

###### (2) *Consolidated financial statements*

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

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

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

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

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

##### (2) Consolidated financial statements *(continued)*

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

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

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

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

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

#### (XIII) Fixed assets

##### 1. Recognition conditions for fixed assets

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

##### 2. Depreciation methods of different categories of fixed assets

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

#### (XIV) Construction in progress

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

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

#### (XV) Borrowing costs

##### 1. Principle for recognition of capitalization of borrowing costs

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

##### 2. Period for borrowing costs capitalization

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

##### 3. Capitalization rate and capitalized amount of borrowing costs

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

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

#### (XVI) Biological assets

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

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

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

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

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

#### (XVII) Intangible assets

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

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

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

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



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

#### **(XVIII) Impairment of part of long-term assets**

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

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

#### **(XIX) Long-term deferred expenses**

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

#### **(XX) Employee Remuneration**

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

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

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

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

#### (XX) Employee Remuneration *(continued)*

##### 3. Accounting treatment for post-employment benefits

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

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

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

#### (XX) Employee Remuneration *(continued)*

##### 4. Accounting treatment for termination benefits

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

##### 5. Accounting treatment for other long-term employee benefits

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

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

#### (XXI) Revenue

##### 1. Principles of revenue recognition

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

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

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

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

#### (XXI) Revenue *(continued)*

##### 2. Standard for measuring revenue

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

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

#### (XXI) Revenue *(continued)*

##### 3. Specific measures to recognize revenue

###### (1) Revenue recognized by point of time

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

###### (2) Revenue recognized by performance progress

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

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

#### (XXII) Government grants

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

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

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

#### (XXII) Government grants *(continued)*

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

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

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

#### (XXIII) Contract assets and contract liabilities

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

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

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



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

#### (XXIV) Deferred income tax assets and deferred income tax liabilities

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

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

#### (XXV) Leases

##### 1. The Company as lessee

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

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

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

##### *(1) Right-of-use assets*

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

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

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

#### (XXV) Leases *(continued)*

##### 1. The Company as lessee *(continued)*

###### (2) Lease liabilities

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

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

##### 2. The Company as lessor

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

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

#### (XXV) Leases *(continued)*

##### 2. The Company as lessor *(continued)*

###### (1) Operating lease

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

###### (2) Financial lease

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

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

#### (XXVI) Significant accounting judgements and estimates

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

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

#### (XXVI) Significant accounting judgements and estimates *(continued)*

The main uncertainties in the estimated amount are as follows:

##### 1. Recognition of deferred income tax assets

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

##### 2. Impairment of financial instruments and contract assets

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

##### 3. Provision for impairment of inventories

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

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

#### (XXVI) Significant accounting judgements and estimates *(continued)*

##### 4. Impairment of long-term assets

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

#### (XXVII) Changes in significant accounting policies

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

- (1) The Company has implemented the provisions of Interpretation No. 15 of the Accounting Standards for Business Enterprises “accounting treatment for the external sale of products or by-products produced by an enterprise before the fixed assets reach the expected usable status or in the process of research and development” issued by the Ministry of Finance since 1st January, 2022. The change in such accounting policy has no impact on the financial statements of the Company.
- (2) The Company has implemented the provisions of Interpretation No. 15 of the Accounting Standards for Business Enterprises “determination of onerous contracts” issued by the Ministry of Finance since 1st January, 2022. The change in such accounting policy has no impact on the financial statements of the Company.
- (3) The Company has implemented the provisions of Interpretation No. 16 of the Accounting Standards for Business Enterprises “accounting treatment for the income tax implications of dividends related to financial instruments classified as equity instruments by an issuer” issued by the Ministry of Finance since 30th November, 2022. The change in such accounting policy has no impact on the financial statements of the Company.

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

#### (XXVII) Changes in significant accounting policies *(continued)*

##### Changes in accounting policies arising from changes in Accounting Standards for Business Enterprises *(continued)*

- (4) The Company has implemented the provisions of Interpretation No. 16 of the Accounting Standards for Business Enterprises “accounting treatment for the modification of cash-settled share-based payments to equity-settled share-based payments by an enterprise” issued by the Ministry of Finance since 30th November, 2022. The change in such accounting policy has no impact on the financial statements of the Company.

### IV. TAXATION

#### (I) Principal tax types and tax rates

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

#### IV. TAXATION *(continued)*

##### (I) Principal tax types and tax rates *(continued)*

###### Information on income tax rates of taxpayers with various tax rates

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

##### (II) Tax concession

###### 1. Value-added tax (“VAT”)

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

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

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



#### IV. TAXATION *(continued)*

##### (II) Tax concession *(continued)*

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

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

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

- (3) Pursuant to the Letter on Confirmation of The Principal Businesses of Akesu Tianye Water Saving Co., Ltd\* (阿克蘇天業節水有限公司) Conforming to the State Encouraged Enterprises issued by the Economic and Information Commission of the Xinjiang Uygur Autonomous Region, Xin Jing Xin Chan Ye Han [2013] No. 322 (新經信產業函[2013]322號), the businesses of agricultural plastic belts and pipes for drip irrigation engaged by the subsidiary, Akesu Tianye, conform to the content set out in clause 6 “Development and Production of Agricultural Plastic Water Saving Products and Durable (Three Years and Above) Functional Agricultural Films” of Article 19 “Light Industry” under the “Encouraged Category” of Order No. 9 of the National Development and Reform Commission, “Catalogue for the Guidance of Industrial Restructuring (2011 version)”. According to Cai Shui [2007] No.83 Circular, Akesu Tianye applied for tax relief filing on VAT for drip tapes and pipes on 7th November, 2016, and has been exempted from VAT for drip tapes and pipes since 3rd January, 2016 and 1st November, 2016, respectively, and has been exempted from respective city maintenance and construction tax, education surcharge and local education surcharge.

#### IV. TAXATION *(continued)*

##### (II) Tax concession *(continued)*

###### 2. Enterprise Income Tax (“EIT”)

- (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 2022.
- (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 2022 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 Announcement 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, Xiyang 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.

## V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

#### 1. Cash

##### (1) Breakdown

Item	Closing balance	Closing balance of the previous year
Bank deposit	<b>238,731,572.54</b>	146,774,325.18
Other cash	<b>14,906.91</b>	1,553,503.76
Total	<b>238,746,479.45</b>	148,327,828.94

##### (2) Other information

As of 31st December, 2022, a portion of bank deposits amounting to RMB2,480,000.00 has been judicially frozen, the funds for ETC operations amounting to RMB5,200.00 has been frozen, and suspended account funds amounting to RMB37,691.86 has been frozen, resulting a total funds of RMB2,522,891.86 has been restricted in use.

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

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

#### 2. Trade receivables

##### (1) Breakdown

##### 1) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Bad-debt provision		
			Amount	Percentage of provision (%)	
Bad-debt provision made on a separate basis	28,426,199.13	15.02	27,844,705.74	97.95	581,493.39
Bad-debt provision made on a group basis	160,890,734.61	84.98	36,625,324.94	22.76	124,265,409.67
<b>Total</b>	<b>189,316,933.74</b>	<b>100.00</b>	<b>64,470,030.68</b>	<b>34.05</b>	<b>124,846,903.06</b>

(continued from the previous table)

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

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

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

#### 2. Trade receivables *(continued)*

##### (1) Breakdown *(continued)*

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

Name of entity	Book balance	Bad-debt provision	Percentage of provision (%)	Reason for provision
The 124th Corps of the Seventh Agricultural Division	2,761,283.08	2,761,283.08	100.00	It is beyond the national budget for the project after inspection and auditing, with no extrabudgetary funds being disbursed
Liaoning Dongrun Seed Co. Ltd.* (Yixian, Jinzhou) (遼寧東潤種業有限公司)	3,000,000.00	3,000,000.00	100.00	It is expected to be irrecoverable as it is in the process of enforcement due to insolvency of the counterparty
Kaiyuan Agricultural Technology Popularization Center* (開原市農業技術推廣中心)	931,850.12	931,850.12	100.00	It is expected to be irrecoverable due to on-going appeal
Heilongjiang Province Fuyu Pasture* (黑龍江省富裕牧場)	831,520.00	831,520.00	100.00	It is expected to be irrecoverable due to disagreement on the quality upon acceptance
Guangxi Gaoliang Technology Agricultural Development Co., Ltd.* (廣西高良科技農業開發有限公司)	1,475,998.79	1,475,998.79	100.00	It is expected to be irrecoverable as the company has been revoked
Inner Mongolia Mining Exploitation Co., Ltd.	5,474,094.30	5,474,094.30	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it
the 128th Corps of the Seventh Agricultural Division	147,681.25	147,681.25	100.00	It is expected to be irrecoverable, because the counterparty cannot be reached
Xinjiang Asina Agricultural Technology Limited* (新疆阿斯納農科公司)	531,786.65	531,786.65	100.00	It is expected to be irrecoverable due to on-going appeal
Huludao Happy Food Limited* (葫蘆島開心食品有限公司)	3,432,996.00	3,432,996.00	100.00	It is expected to be irrecoverable as the company has been revoked

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

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

#### 2. Trade receivables (continued)

##### (1) Breakdown (continued)

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

Name of entity	Book balance	Bad-debt provision	Percentage	Reason for provision
			of provision (%)	
Zen Mingmin (曾明敏)	128,447.59	128,447.59	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it
Xinjiang Tianye Company Limited	523,809.52			A related party, without credit losses after testing
Tianneng Chemical Co., Ltd.* (天能化工有限公司)	57,683.87			A related party, without credit losses after testing
Aksu Zhongwei Water Resources and Hydropower Co., Ltd.* (阿克蘇中威水利水電有限公司)	2,153,330.78	2,153,330.78	100.00	It is irrecoverable as the company has been cancelled
Aksu Dayu Construction Engineering Co., Ltd.* (阿克蘇大禹工程建設有限公司)	2,664,467.76	2,664,467.76	100.00	It is irrecoverable as the company has been cancelled
Zhangye Tianrun Water Saving Equipment Co., Ltd.* 張掖市天潤節水器材有限責任公司	894,500.00	894,500.00	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it
Chifeng Yunong Water Saving Equipment Co., Ltd.* (赤峰雨農節水器材有限公司)	2,664,573.39	2,664,573.39	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it
Aksu Yushui Water Resources Engineering Co., Ltd.* (阿克蘇豫水水利工程有限公司)	51,850.49	51,850.49	100.00	It is irrecoverable as the company has been cancelled
Aksu Jiangli Water Resources and Construction Engineering Co., Ltd.* (阿克蘇江利水利建築工程有限公司)	700,325.54	700,325.54	100.00	It is irrecoverable as the company has been cancelled
Sub-total	28,426,199.13	27,844,705.74	97.95	

**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***2. Trade receivables** *(continued)**(1) Breakdown (continued)*

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

Item	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Group of receivables from non-government authorities	92,359,470.35	27,813,666.03	30.11
Group of receivables from government authorities	68,531,264.26	8,811,658.91	12.86
Sub-total	160,890,734.61	36,625,324.94	22.76

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same rule applies below)	33,885,519.15	1,016,565.59	3.00
1-2 years	12,480,938.46	1,872,140.77	15.00
2-3 years	6,238,758.19	1,247,751.63	20.00
3-4 years	18,782,777.07	9,391,388.55	50.00
4-5 years	13,371,315.99	6,685,658.00	50.00
Over 5 years	7,600,161.49	7,600,161.49	100.00
Sub-total	92,359,470.35	27,813,666.03	30.11

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

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

#### 2. Trade receivables *(continued)*

##### (1) Breakdown *(continued)*

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

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same rule applies below)	26,144,789.15	261,447.90	1.00
1-2 years	19,157,230.83	957,861.55	5.00
2-3 years	10,141,251.30	1,014,125.14	10.00
3-4 years	801,806.20	200,451.55	25.00
4-5 years	7,199,685.12	1,799,921.28	25.00
Over 5 years	5,086,501.66	4,577,851.49	90.00
Sub-total	68,531,264.26	8,811,658.91	12.86



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

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

#### 2. Trade receivables *(continued)*

##### (2) Aging analysis

Aging	Closing balance			Closing balance of the previous year		
	Book balance	Bad-debt provision	Percentage of provision (%)	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same rule applies below)	60,087,992.17	1,278,013.49	2.13	82,565,940.93	1,580,899.38	1.91
1-2 years	32,177,202.44	2,958,449.91	9.19	28,099,063.66	2,296,741.29	8.17
2-3 years	16,380,009.49	2,261,876.77	13.81	26,020,729.71	4,466,469.12	17.17
3-4 years	19,584,583.27	9,591,840.10	48.98	36,417,088.90	19,783,020.33	54.32
4-5 years	31,110,648.81	18,912,003.02	60.79	7,137,397.54	2,254,854.57	31.59
Over 5 years	29,976,497.56	29,467,847.39	98.30	25,116,313.60	24,805,931.52	98.76
Total	189,316,933.74	64,470,030.68	34.05	205,356,534.34	55,187,916.21	26.87

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

##### (3) Changes in bad-debt provision

###### 1) Breakdown

Item	Opening balance	Increase during the period			Decrease during the period			Closing balance
		Provision	Recovery	Others	Write-back	Write-off	Others	
Bad-debt provision made on a separate basis	24,991,535.99	5,569,974.57			2,716,804.82			27,844,705.74
Bad-debt provision made on a group basis	30,196,380.22	6,428,944.72						36,625,324.94
Total	55,187,916.21	11,998,919.29			2,716,804.82			64,470,030.68

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

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

#### 2. Trade receivables (continued)

##### (3) Changes in bad-debt provision (continued)

- 2) Significant amounts of provision for bad debts recovered or reversed during the period

Company Name	Amounts recovered or reversed	The way of receiving funds
Inner Mongolia Mining Exploitation Co., Ltd.	2,000,000.00	Bank transfer, bank acceptance
Hongshan Farmland under the 13th Division of Xinjiang Production and Construction Corps	716,804.82	Bank transfer
Sub-total	2,716,804.82	

##### (4) Top 5 trade receivables

Name of entity	Book balance	Percentage to trade receivables balance (%)	Bad-debt provision
Xinjiang Jubilation International Trade Development Co., Ltd.	23,508,696.20	12.42	11,182,409.82
Inner Mongolia Mining Exploitation Co., Ltd.	5,474,094.30	2.89	5,474,094.30
Zhangye Ganzhou Modern Agriculture Development Investment Co., Ltd.* (張掖市甘州區現代農業開發投資有限責任公司)	5,412,839.69	2.86	54,128.40
The Agriculture and Animal Husbandry Bureau of Horqin Right Middle Banner* (科爾沁左翼中旗農牧局)	4,742,894.74	2.51	47,428.95
Henan Lianhui Construction Engineering Co., Ltd.*(河南聯輝建築工程有限公司)	4,500,000.00	2.38	135,000.00
Sub-total	43,638,524.93	23.05	16,893,061.47

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

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

#### 3. Receivables financing

##### (1) Breakdown

Item	Closing balance		Closing balance of the previous year	
	Book value	Cumulative recognition of provision for credit impairment	Book value	Cumulative recognition of provision for credit impairment
Bill receivables	8,510,375.00		4,921,714.35	
Total	8,510,375.00		4,921,714.35	

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

Item	Amount derecognized at the end of the period
Bank acceptance bills	26,381,097.01
Sub-total	26,381,097.01

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

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

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

#### 4. Prepayments

##### (1) Aging analysis

Aging	Closing balance			Closing balance of the previous year			
	Book balance	Percentage (%)	Provision for impairment Carrying amount	Book balance	Percentage (%)	Provision for impairment	Carrying amount
Within 1 year	39,349,118.43	92.44	39,349,118.43	23,916,437.77	90.65		23,916,437.77
1-2 years	2,489,288.02	5.85	2,489,288.02	2,439,396.02	9.25		2,439,396.02
2-3 years	711,302.52	1.67	711,302.52	27,000.00	0.10		27,000.00
Over 3 years	16,904.90	0.04	16,904.90				
Total	42,566,613.87	100.00	42,566,613.87	26,382,833.79	100.00		26,382,833.79

##### (2) Top 5 prepayments

Name of entity	Book balance	Percentage to prepayments balance (%)
Xinjiang Tianye (Group) Limited ("Tianye Holdings")	9,980,000.00	23.45
PetroChina Company Limited* (中國石油天然氣股份有限公司)	8,938,081.68	21.00
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	2,915,160.65	6.85
Xinjiang Tianye Company Limited	2,549,815.50	5.99
Ningxia Baofeng Energy Group Co., Ltd.* (寧夏寶豐能源集團股份有限公司)	1,709,180.90	4.02
Sub-total	26,092,238.73	61.31

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

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

#### 5. Other receivables

##### (1) Breakdown

##### 1) Breakdown by category

Category	Closing balance				Carrying amount
	Book balance		Bad-debt provision		
	Amount	Percentage	Amount	Percentage	
		(%)		of provision	
Bad-debt provision made on a separate basis	10,000.00	0.03			10,000.00
Bad-debt provision made on a group basis	36,013,990.46	99.97	4,587,309.73	12.74	31,426,680.73
Total	36,023,990.46	100.00	4,587,309.73	12.73	31,436,680.73

(continued from the previous table)

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

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

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

#### 5. Other receivables *(continued)*

##### (1) Breakdown *(continued)*

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

Name of entity	Book balance	Bad-debt provision	Percentage	Reason for provision
			of provision (%)	
Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司)	10,000.00			A related party, without credit losses after testing
Sub-total	10,000.00			

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

Name	Closing balance		Percentage
	Book balance	Bad-debt provision	of provision (%)
Group of receivables from government authorities	28,794,025.58	3,087,071.20	10.72
Group of receivables from non-government authorities	7,219,964.88	1,500,238.53	20.78
Sub-total	36,013,990.46	4,587,309.73	12.74

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

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

#### 5. Other receivables *(continued)*

##### (2) Aging information

Age	Closing book balance	Closing book balance of previous year
Within 1 year	<b>14,056,834.28</b>	11,479,610.60
1–2 years	<b>5,996,549.04</b>	9,718,673.89
2–3 years	<b>9,410,979.73</b>	3,531,491.27
3–4 years	<b>3,476,155.57</b>	1,726,000.00
4–5 years	<b>1,685,104.14</b>	81,878.57
Over 5 years	<b>1,398,367.70</b>	1,583,093.13
Total	<b>36,023,990.46</b>	28,120,747.46

##### (3) Changes in bad-debt provision

Item	Phase 1 Next 12-month ECLs	Phase 2 Lifetime ECLs (without credit impairment)	Phase 3 Lifetime ECLs (with credit impairment)	Total
Opening balance	192,540.22	538,523.52	2,751,732.38	3,482,796.12
Opening balance for the current period	—	—	—	
– Transferred to Phase 2	–68,191.94	68,191.94		
– Transferred to Phase 3		–512,535.39	512,535.39	
– Written back from Phase 2				
– Written back from Phase 1				
Provision for the current period	101,022.74	246,779.65	756,711.22	1,104,513.61
Recovered for the current period				
Written back for the current period				
Written off for the current period				
Other changes				
Closing balance	<b>225,371.02</b>	<b>340,959.72</b>	<b>4,020,978.99</b>	<b>4,587,309.73</b>

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

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

#### 5. Other receivables (continued)

##### (4) Category of other receivables by nature

Nature	Closing book balance	Closing book balance of the previous year
Security deposits	34,300,231.29	26,159,746.22
Provisional accounts receivables	1,033,139.99	594,821.76
Employee borrowings	122,203.17	644,054.48
Related party current account	10,000.00	10,000.00
Project construction materials payment advanced	558,416.01	712,125.00
Total	36,023,990.46	28,120,747.46

##### (5) Top 5 other receivables

Name of entity	Nature	Book balance	Aging	Percentage in the balance of other receivables (%)	Bad-debt provision
Baicheng County Agriculture and Rural Affairs Bureau (Rural Revitalization Bureau, Animal Husbandry and Veterinary Bureau) (拜城縣農業農村局 (鄉村振興局、畜牧獸醫局))	Security deposits	5,863,864.46	Within 1 year	16.28	58,638.64
Labour Security Supervision Authority of Nanbu County (南部縣勞動保障監察大隊)	Security deposits	5,100,000.00	2-3 years	14.16	510,000.00
Shache County Water Conservancy Bureau* (莎車縣水利局)	Security deposits	2,247,674.93	1-2 years, 2-3 years	6.24	221,767.49
Jincang Water Investment Company Limited	Security deposits	1,418,104.14	4-5 years	3.94	709,052.07
Yengisar Water Resources Bureau Water Pipe Terminal* (英吉沙縣水利局水管站)	Security deposits	1,265,678.24	3-4 years	3.51	316,419.56
Sub-total		15,895,321.77		44.12	1,815,877.76



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

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

#### 6. Inventories

##### (1) Breakdown

Item	Closing balance			Closing balance of the previous year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Raw materials	137,373,771.00	19,674,672.43	117,699,098.57	172,150,613.64	9,742,191.75	162,408,421.89
Work-in-progress	6,164,132.03		6,164,132.03	4,634,229.42		4,634,229.42
Finished goods	154,757,241.81	26,672,593.68	128,084,648.13	168,442,205.00	29,481,423.72	138,960,781.28
Materials under subcontract processing	7,533,460.68	329,242.42	7,204,218.26	3,527,425.29		3,527,425.29
contract performance costs	82,252,567.57		82,252,567.57	53,124,108.20		53,124,108.20
Total	388,081,173.09	46,676,508.53	341,404,664.56	401,878,581.55	39,223,615.47	362,654,966.08

##### (2) Provision for impairment of inventories

##### 1) Breakdown

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Write-back or write-off	Others	
Raw materials	9,742,191.75	11,263,992.82		1,331,512.14		19,674,672.43
Finished goods	29,481,423.72	11,338,261.33		14,147,091.37		26,672,593.68
Materials under subcontract processing		329,242.42				329,242.42
Total	39,223,615.47	22,931,496.57		15,478,603.51		46,676,508.53

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

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

#### 6. Inventories *(continued)*

##### (2) Provision for impairment of inventories *(continued)*

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

<b>Item</b>	<b>Specific basis for determination of the net realizable value</b>	<b>Reasons for write-off provision for impairment of inventories</b>
Raw materials	net realizable value is determined as the amount of the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated costs of sales and relevant taxes and levies	During the current period, inventories with provision for impairment of inventories were consumed or sold
Finished goods	net realizable value is determined as the amount of the estimated selling price of inventory goods less the estimated selling costs and relevant taxes and levies	During the current period, inventories with provision for impairment of inventories were sold

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

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

#### 6. Inventories *(continued)*

##### (2) Provision for impairment of inventories *(continued)*

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

The specific reason for the provision of impairment of inventories for the period was that the raw materials were overstocked due to the Company's previous sales model of replacing old products with new ones, resulting in a decline in market value of the recycled PE materials. For other inventory items, they are measured at the lower of cost and net realizable value. When their net realizable value is lower than the cost, provision for impairment of inventories is made.

##### (3) Contract performance costs

Item	Opening balance	Increase during the period	Carry forward during the period	Provision for impairment during the period	Closing balance
Project construction	53,124,108.20	390,482,475.10	361,354,015.73		<b>82,252,567.57</b>
Sub-total	53,124,108.20	390,482,475.10	361,354,015.73		<b>82,252,567.57</b>

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

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

#### 7. Other current assets

Item	Closing balance			Closing balance of the previous year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Pending deduct VAT on purchase	5,448,370.23		5,448,370.23	2,962,425.46		2,962,425.46
Enterprises income tax prepaid	1,275,832.46		1,275,832.46	1,236,002.87		1,236,002.87
Other prepaid tax				123,451.89		123,451.89
Others	353,974.73		353,974.73			
Total	7,078,177.42		7,078,177.42	4,321,880.22		4,321,880.22

#### 8. Long-term equity investments

(1) Breakdown by category

Item	Closing balance			Closing balance of the previous year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in associates	1,315,145.99		1,315,145.99	1,954,210.08		1,954,210.08
Total	1,315,145.99		1,315,145.99	1,954,210.08		1,954,210.08

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

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

#### 8. Long-term equity investments *(continued)*

##### (2) Breakdown

Investee	Opening balance	Increase or decrease during the period			Closing balance
		Increase	Decrease	Investment profit and loss recognized with the equity method	
Associates					
Jianshui Runnong Water Supply Co., Ltd.	1,954,210.08			-639,064.09	
Total	1,954,210.08			-639,064.09	

(continued from the previous table)

Investee	Increase or decrease in during the period				Closing balance	Closing balance of provision for impairment
	Other changes in equity	Cash dividends or profit distribution declared	Provision for impairment	Others		
Associates						
Jianshui Runnong Water Supply Co., Ltd.					1,315,145.99	
Total					1,315,145.99	

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

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

#### 9. Fixed assets

##### (1) Breakdown

Item	Buildings and structures	Machinery and equipment	Transportation vehicles	Office and others equipment	Total
Initial carrying amount					
Opening balance	126,850,316.39	165,816,593.43	4,741,969.31	13,199,326.46	310,608,205.59
Increase during the period	1,964,356.71	2,154,197.61		616,139.20	4,734,693.52
1) Additions	482,266.72	837,606.61		616,139.20	1,936,012.53
2) Transferred from					
construction-in-progress	1,482,089.99	1,316,591.00			2,798,680.99
Decrease during the period		23,176,110.51	50,590.00	319,060.49	23,545,761.00
1) Disposal or retirement		16,538,613.10	50,590.00	319,060.49	16,908,263.59
2) Transferred to					
construction-in-progress		6,637,497.41			6,637,497.41
Closing balance	128,814,673.10	144,794,680.53	4,691,379.31	13,496,405.17	291,797,138.11
Accumulated depreciation					
Opening balance	44,105,930.37	118,169,593.89	2,865,550.92	9,648,025.83	174,789,101.01
Increase during the period	3,853,156.55	4,718,676.17	458,471.11	1,074,185.49	10,104,489.32
1) Provision	3,853,156.55	4,718,676.17	458,471.11	1,074,185.49	10,104,489.32
Decrease during the period		22,342,418.08	49,072.30	224,678.20	22,616,168.58
1) Disposal or retirement		16,036,795.54	49,072.30	224,678.20	16,310,546.04
2) Transferred to					
construction-in-progress		6,305,622.54			6,305,622.54
Closing balance	47,959,086.92	100,545,851.98	3,274,949.73	10,497,533.12	162,277,421.75
Provision for impairment					
Opening balance	3,100,531.89	10,387,971.40	3,900.00	177,450.23	13,669,853.52
Increase during the period					
1) Provision					
Decrease during the period					
1) Disposal or retirement					
Closing balance	3,100,531.89	10,387,971.40	3,900.00	177,450.23	13,669,853.52
Carrying amount					
Carrying amount at the end					
of the period	77,755,054.29	33,860,857.15	1,412,529.58	2,821,421.82	115,849,862.84
Carrying amount at the					
beginning of the period	79,643,854.13	37,259,028.14	1,872,518.39	3,373,850.40	122,149,251.06

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

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

#### 9. Fixed assets *(continued)*

##### (2) Temporarily idle fixed assets

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Remark
Buildings and structures	6,878,902.10	3,699,945.66	1,515,613.83	1,663,342.61	
Machinery and equipment	45,537,852.90	36,133,632.22	7,282,761.55	2,121,459.13	
Transportation vehicles	552,470.52	531,714.39		20,756.13	
Office and others equipment	2,992,859.54	2,687,428.39	104,770.95	200,660.20	
Sub-total	55,962,085.06	43,052,720.66	8,903,146.33	4,006,218.07	

##### (3) Operating leased fixed assets

Item	Carrying amount at the end of the period
Buildings and structures	14,461,263.73
Machinery and equipment	164,227.72
Office and others equipment	64,283.07
Sub-total	14,689,774.52

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

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

#### 9. Fixed assets *(continued)*

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

Item	Carrying amount	Reason for not obtaining title certificate yet
Certain buildings and structures of the Company	19,513,897.62	In the process of obtaining title certificate (Note)
Certain buildings and structures of Tiancheng Water Saving, our subsidiary	7,851,732.97	The pelletizing base project has not been accepted as a whole, and the certificate has not been obtained
Certain buildings and structures of Nanjiang Water Saving, our subsidiary	4,545,567.25	Fire inspection has not been completed
Certain buildings and structures of Akesu Tianye, our subsidiary	408,004.98	Due to being constructed in the early stages, there are no acceptance procedures, and it is not possible to obtain a property ownership certificate
Certain buildings and structures of Kuitun Water Saving, our subsidiary	15,083.19	Due to being constructed in the early stages, it is not possible to obtain a property ownership certificate
Sub-total	32,334,286.01	

Note: The land use rights attached to the buildings and structures with a carrying amount of RMB9,234,040.22 at the end of the period belong to Xinjiang Tianye Company Limited, negotiations of which are currently underway to obtain the title certificates



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

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

#### 10. Construction-in-progress

##### (1) Breakdown

Item	Closing balance			Closing balance of the previous year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Modern agricultural science and technology demonstration base project	2,681,330.89		2,681,330.89	2,507,698.96		2,507,698.96
Management Center Construction Project for Nanbu County Poverty Alleviation Demonstration Base				1,476,989.99		1,476,989.99
Development and Application of High-Performance Pressure Compensation Irrigators	1,410,205.38		1,410,205.38	781,501.16		781,501.16
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines				681,415.88		681,415.88
Elevator Technical Transformation Project				167,001.43		167,001.43
Water-saving equipment production and construction project	1,283,647.27		1,283,647.27			
Workshop renovation at Linze Plant	1,077,169.78		1,077,169.78			
<b>Total</b>	<b>6,452,353.32</b>		<b>6,452,353.32</b>	<b>5,614,607.42</b>		<b>5,614,607.42</b>

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

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

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

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

Name of works	Budget (RMB in ten thousand)	Opening balance	Increase during the period	Amount carried forward to fixed assets	Decrease in others	Closing balance
Modern agricultural science and technology demonstration base project	300.00	2,507,698.96	173,631.93			<b>2,681,330.89</b>
Development and Application of High-Performance Pressure Compensation Irrigators	480.00	781,501.16	628,704.22			<b>1,410,205.38</b>
Elevator Technical Transformation Project	30.00	167,001.43	45,398.23	212,399.66		
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines Management Center	90.00	681,415.88		681,415.88		
Construction Project for Nanbu County Poverty Alleviation Demonstration Base	200.00	1,476,989.99	5,100.00	1,482,089.99		
Water-saving equipment production and construction project	1,317.50		1,283,647.27			<b>1,283,647.27</b>
Workshop cable trench and water trench renovation at Linze Plant	170.00		1,499,945.24	422,775.46		<b>1,077,169.78</b>
Sub-total		5,614,607.42	3,636,426.89	2,798,680.99		<b>6,452,353.32</b>

(continued from the previous table)

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

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

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

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

Name of works	Percentage of accumulated investment to in project budget (%)	Project progress (%)	Accumulated capitalized interests	Capitalized interests for the period	Rate of interest capitalization for the period (%)	Source of capital
Modern agricultural science and technology demonstration base project	89.38	89.38				Self-financing
Development and Application of High-Performance Pressure Compensation Irrigators	29.38	29.38				Self-financing
Elevator Technical Transformation Project	70.80	100.00				Self-financing
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines	75.71	100.00				Self-financing
Management Center Construction Project for Nanbu County Poverty Alleviation Demonstration Base	74.10	100.00				Self-financing
Water-saving equipment production and construction project	9.74	9.74				Self-financing
Workshop cable trench and water trench renovation at Linze Plant	88.23	63.36				Self-financing
Sub-total						

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

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

#### 11. Productive biological assets

Item	Crop farming Tangerines	Total
Initial carrying amount		
Opening balance	29,401,654.64	29,401,654.64
Increase during the period	5,908,709.40	5,908,709.40
1) Additions	5,908,709.40	5,908,709.40
Decrease during the period	32,839.10	32,839.10
1) Others	32,839.10	32,839.10
Closing balance	35,277,524.94	35,277,524.94
Accumulated depreciation		
Opening balance	299,410.27	299,410.27
Increase during the period	1,834,130.69	1,834,130.69
1) Provision	1,834,130.69	1,834,130.69
Decrease during the period		
1) Disposal		
Closing balance	2,133,540.96	2,133,540.96
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	33,143,983.98	33,143,983.98
Carrying amount at the beginning of the period	29,102,244.37	29,102,244.37

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

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

#### 12. Right-of-use assets

Item	Buildings and structures	Land use rights	Machinery and Transportation equipment	tools	Total
Initial carrying amount					
Opening balance	7,288,365.77	42,871,594.87	3,918,032.34	169,375.30	54,247,368.28
Increase during the period	2,461,584.93	3,739,098.85			6,200,683.78
1) Lease-in	2,461,584.93	3,739,098.85			6,200,683.78
Decrease during the period	5,743,221.49	2,517,065.03	3,756,493.43	169,375.30	12,186,155.25
1) Disposal	5,743,221.49	2,517,065.03	3,756,493.43	169,375.30	12,186,155.25
Closing balance	4,006,729.21	44,093,628.69	161,538.91		48,261,896.81
Accumulated depreciation					
Opening balance	2,739,648.72	2,644,694.70	1,424,739.04	41,199.39	6,850,281.85
Increase during the period	2,499,667.18	3,193,863.96		18,310.84	5,711,841.98
1) Provision	2,499,667.18	3,193,863.96		18,310.84	5,711,841.98
Decrease during the period	3,627,951.67	937,949.71	1,365,997.61	59,510.23	5,991,409.22
1) Disposal	3,627,951.67	937,949.71	1,365,997.61	59,510.23	5,991,409.22
Closing balance	1,611,364.23	4,900,608.95	58,741.43		6,570,714.61
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	2,395,364.98	39,193,019.74	102,797.48		41,691,182.20
Carrying amount at the beginning of the period	4,548,717.05	40,226,900.17	2,493,293.30	128,175.91	47,397,086.43

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

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

#### 13. Intangible assets

(1) Breakdown

Item	Land use rights	Patent	ERP software	Non-patent technology	Total
Initial carrying amount					
Opening balance	17,873,559.51	6,607,007.22	33,605.63	2,018,300.00	26,532,472.36
Increase during the period	581,373.11				581,373.11
1) Purchase	581,373.11				581,373.11
Decrease during the period					
1) Disposal					
Closing balance	18,454,932.62	6,607,007.22	33,605.63	2,018,300.00	27,113,845.47
Accumulated amortization					
Opening balance	4,410,611.41	1,596,678.85	30,614.15	1,513,724.88	7,551,629.29
Increase during the period	489,530.64	1,243,326.72	2,991.48	403,659.96	2,139,508.80
1) Provision	489,530.64	1,243,326.72	2,991.48	403,659.96	2,139,508.80
Decrease during the period					
1) Disposal					
Closing balance	4,900,142.05	2,840,005.57	33,605.63	1,917,384.84	9,691,138.09
Provision for impairment					
Opening balance					
Increase during the period					
1) Provision					
Decrease during the period					
1) Disposal					
Closing balance					
Carrying amount					
Carrying amount at the end of the period	13,554,790.57	3,767,001.65		100,915.16	17,422,707.38
Carrying amount at the beginning of the period	13,462,948.10	5,010,328.37	2,991.48	504,575.12	18,980,843.07

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

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

#### 13. Intangible assets *(continued)*

##### (1) Breakdown *(continued)*

At the end of the period, the intangible assets formed through in-house research and development of the Company accounted for 21.62% of the balance of intangible assets.

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

Item	Closing balance	Closing balance of the previous year
Beyond Hong Kong	13,554,790.57	13,462,948.10
Including: Medium-term lease	13,554,790.57	13,462,948.10
Sub-total	13,554,790.57	13,462,948.10

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

Item	Carrying amount	Reason for not obtaining title certificate yet
Land use rights of Tiancheng Water Saving	1,935,442.16	The pelletizing base of Tiancheng Water Saving has not been accepted, and the land ownership certificate has not been obtained
Sub-total	1,935,442.16	

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

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

#### 14. Development expenses

##### (1) Breakdown

Item	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Internal development expenses	Others	Recognized as intangible assets	Transferred to profit and loss for the period	
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines	7,044,854.14	2,507,544.63			999,995.80	<b>8,552,402.97</b>
Research and Development of Precise and Integrated Water-and- Fertilizer Technology and Equipment for Major Crops and the Application Demonstration	1,427,271.12	589,035.22				<b>2,016,306.34</b>
<b>Total</b>	<b>8,472,125.26</b>	<b>3,096,579.85</b>			<b>999,995.80</b>	<b>10,568,709.31</b>

##### (2) Other information

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



**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***15. Long-term deferred expenses**

<b>Item</b>	<b>Opening balance</b>	<b>Increase during the period</b>	<b>Amortized during the period</b>	<b>Decrease in others</b>	<b>Closing balance</b>
Repair and maintenance works	7,131,253.86	2,411,783.10	3,465,740.57		<b>6,077,296.39</b>
<b>Total</b>	<b>7,131,253.86</b>	<b>2,411,783.10</b>	<b>3,465,740.57</b>		<b>6,077,296.39</b>

**16. Deferred income tax assets and deferred income tax liabilities***(1) Deferred income tax assets un-eliminated*

<b>Item</b>	<b>Closing balance</b>		<b>Closing balance of the previous year</b>	
	<b>Deductible temporary differences</b>	<b>Deferred income tax assets</b>	<b>Deductible temporary differences</b>	<b>Deferred income tax assets</b>
Provision for asset impairment	<b>22,097,805.76</b>	<b>2,148,642.01</b>	21,661,937.83	2,395,956.11
Deductible losses	<b>4,015,600.12</b>	<b>100,390.00</b>	4,209,423.58	210,471.18
<b>Total</b>	<b>26,113,405.88</b>	<b>2,249,032.01</b>	25,871,361.41	2,606,427.29

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

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

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

(2) Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Closing balance of the previous year
Deductible temporary differences	<b>107,305,896.70</b>	89,902,243.49
Deductible losses	<b>145,243,612.08</b>	77,279,444.45
Total	<b>252,549,508.78</b>	167,181,687.94

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

Year	Closing balance	Closing balance of the previous year	Remark
2022		1,744,744.84	
2023	<b>26,873,562.20</b>	27,625,709.64	
2024	<b>13,963,503.70</b>	14,787,688.92	
2025	<b>3,900,259.04</b>	5,211,445.48	
2026	<b>27,904,850.57</b>	27,909,855.57	
2027	<b>72,601,436.57</b>		
Total	<b>145,243,612.08</b>	77,279,444.45	

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

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

#### 17. Other non-current assets

Item	Closing balance			Closing balance of the previous year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Prepayment for the purchase of long-term assets	50,000.00		50,000.00	152,600.00		152,600.00
Total	50,000.00		50,000.00	152,600.00		152,600.00

#### 18. Short-term borrowings

Item	Closing balance	Closing balance of the previous year
Guarantee borrowings	80,091,513.89	33,038,820.84
Credit borrowings	9,014,300.00	10,379,279.70
Total	89,105,813.89	43,418,100.54

#### 19. Trade payables

(1) Breakdown

Item	Closing balance	Closing balance of the previous year
Sale of goods	325,921,966.13	190,642,882.22
Project and equipment funds	7,172,350.67	41,369,431.37
Total	333,094,316.80	232,012,313.59

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

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

#### 19. Trade payables *(continued)*

##### (2) Aging analysis

Aging	Closing balance
Within 1 year	216,945,880.19
1-2 years	82,917,135.29
2-3 years	13,897,895.97
Over 3 years	19,333,405.35
Total	333,094,316.80

Aging analysis over trade receivables is only based on the month when amounts are actually recorded.

##### (3) Significant trade payables aged more than one year

Item	Closing balance	Reasons for unsettlement
Tianye Group	59,069,089.47	Credit period was offered by related parties, and subsequent repayment has been planned
Sub-total	59,069,089.47	

**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***(I) Notes to items in the Consolidated Balance Sheet** *(continued)***20. Contract liabilities**

<b>Item</b>	<b>Closing balance</b>	Closing balance of the previous year
Receipts in advance for sale of goods	<b>30,040,966.25</b>	44,788,231.80
Project funds in advance	<b>19,090,209.36</b>	3,353,550.10
Total	<b>49,131,175.61</b>	48,141,781.90

**21. Employee remuneration payables***(1) Breakdown*

<b>Item</b>	Opening balance	Increase during the period	Decrease during the period	<b>Closing balance</b>
Short-term remuneration	7,457,922.03	49,371,862.50	51,336,510.08	<b>5,493,274.45</b>
Post-employment benefits — the defined contribution scheme	332,275.00	8,151,771.24	8,054,203.76	<b>429,842.48</b>
Termination benefits		71,372.41	71,372.41	
Total	7,790,197.03	57,595,006.15	59,462,086.25	<b>5,923,116.93</b>

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

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

#### 21. Employee remuneration payables *(continued)*

(2) Breakdown of short-term remuneration

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salary, bonus, allowance and subsidy	3,029,838.96	38,729,668.17	41,076,441.59	<b>683,065.54</b>
Employee benefits	25,300.00	2,730,607.30	2,217,402.80	<b>538,504.50</b>
Social security insurance	152,224.27	3,716,940.85	3,733,277.99	<b>135,887.13</b>
Including: Medical insurance contributions	152,224.27	3,502,173.76	3,518,510.90	<b>135,887.13</b>
Work injury insurance contributions		214,704.09	214,704.09	
Maternity insurance contributions		63.00	63.00	
Housing provident fund	37,841.00	3,527,918.00	3,527,953.29	<b>37,805.71</b>
Union and education funds	4,212,717.80	666,728.18	781,434.41	<b>4,098,011.57</b>
Sub-total	7,457,922.03	49,371,862.50	51,336,510.08	<b>5,493,274.45</b>

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

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

#### 21. Employee remuneration payables *(continued)*

(3) Breakdown of defined contribution schemes

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Basic endowment insurance contributions		5,741,201.47	5,717,232.79	<b>23,968.68</b>
Unemployment insurance contributions		180,152.77	179,403.97	<b>748.80</b>
Enterprise annuity	332,275.00	2,230,417.00	2,157,567.00	<b>405,125.00</b>
Sub-total	332,275.00	8,151,771.24	8,054,203.76	<b>429,842.48</b>

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

According to the Enterprise Annuity Scheme of Tianye Group, the Company and its subsidiaries shall pay enterprise annuity for their employees, who are set to receive the accumulated amount on their individual accounts (including principal and investment income) in a lump sum once they retire or otherwise become unemployed.

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

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

#### 22. Tax and levy payables

Item	Closing balance	Closing balance of the previous year
VAT	<b>7,242,492.51</b>	2,050,265.27
EIT	<b>238,288.63</b>	132,303.07
Individual income tax withheld	<b>254,106.05</b>	212,366.46
City maintenance and construction tax	<b>203,389.24</b>	174,458.62
Environmental protection tax		14,267.33
Property tax	<b>40,492.71</b>	35,872.16
Education surcharge	<b>90,422.90</b>	73,761.27
Local education surcharge	<b>60,325.54</b>	57,448.24
Stamp duty	<b>142,657.06</b>	80,666.01
Total	<b>8,272,174.64</b>	2,831,408.43

#### 23. Other payables

Item	Closing balance	Closing balance of the previous year
Current account	<b>12,363,234.40</b>	14,316,036.27
Fund of agent for charging and paying	<b>5,681,639.66</b>	7,085,370.93
Security deposits	<b>8,416,251.15</b>	5,612,213.52
Employee borrowings	<b>231,602.61</b>	420,382.66
Withholding charges	<b>6,447,267.88</b>	6,588,838.49
Others	<b>521.28</b>	895,556.80
Total	<b>33,140,516.98</b>	34,918,398.67



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

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

#### 24. Non-current liabilities due within one year

Item	Closing balance	Closing balance of the previous year
Lease liabilities due within one year	<b>2,676,912.83</b>	5,846,769.64
Total	<b>2,676,912.83</b>	5,846,769.64

#### 25. Other current liabilities

Item	Closing balance	Closing balance of the previous year
Output tax to be transferred	<b>3,802,030.99</b>	3,919,171.61
Total	<b>3,802,030.99</b>	3,919,171.61

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

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

#### 26. Lease liabilities

Item	Closing balance	Closing balance of the previous year
Lease payments that are not paid	<b>56,720,858.20</b>	59,697,421.08
Less: unrecognized financing expenses	<b>15,478,650.77</b>	16,081,464.62
Total	<b>41,242,207.43</b>	43,615,956.46

#### 27. Deferred income

##### (1) Breakdown

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants relating to assets	7,489,567.77	376,000.00	1,200,000.00	<b>6,665,567.77</b>	Funded by the government
Government grants relating to income	5,900,917.09	7,400,232.08	3,742,043.01	<b>9,559,106.16</b>	Funded by the government
Total	13,390,484.86	7,776,232.08	4,942,043.01	<b>16,224,673.93</b>	

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

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

#### 27. Deferred income *(continued)*

##### (2) Breakdown of government grants

Item	Opening balance	Amount of new grants for the period	Profit or loss for the current period (Note)	Closing balance	Relating to assets/relating to income
Water saving irrigation technology products industrialization promotion project	2,528,621.82		1,200,000.00	<b>1,328,621.82</b>	Relating to assets
Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration	1,500,000.00			<b>1,500,000.00</b>	Relating to assets
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines	2,500,000.00			<b>2,500,000.00</b>	Relating to assets
Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration	960,945.95	250,000.00		<b>1,210,945.95</b>	Relating to assets
Wuqiang Peanut Cultivation Project		126,000.00		<b>126,000.00</b>	Relating to assets
Improvement in fertilizer placement devices under the drip-irrigation system and optimization of headworks	5,947.31		4,482.72	<b>1,464.59</b>	Relating to income
Research on the optimized model for the integrated water-and-fertilizer distribution of the farmland pipeline network for commercial crops and the related demonstration	23,537.02		23,537.02		Relating to income

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

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

#### 27. Deferred income *(continued)*

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

Item	Opening balance	Amount of new grants for the period	Profit or loss for the current period (Note)	Closing balance	Relating to assets/relating to income
Development of Key Technologies and New Products for Water Discharge and Salt Control in Agricultural Farmland	31,187.60			31,187.60	Relating to income
Key Research and Development Laboratory for Lvzhou Modern Agricultural Irrigation Systems and Products	486,834.77		62,242.53	424,592.24	Relating to income
Technical Research and Development of Integrated Under-Membrane Drip Irrigation for Cotton in Uzbekistan and the Related Demonstration	348,136.56		157,128.25	191,008.31	Relating to income
Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative	113,153.06	37,735.85	73,726.46	77,162.45	Relating to income
China-Ukraine training course on efficient water-saving agricultural irrigation technology	524,815.28			524,815.28	Relating to income
Special funds for cadres and talents assisting Xinjiang		20,000.00	10,736.38	9,263.62	Relating to income
XPCC Talent Development Project	170,000.00		120,000.00	50,000.00	Relating to income
Research and Development of Water-saving Equipment for Special Forestry and Fruit and Key Technology Integration and Demonstration Project for Efficient Utilization of Water and Fertilizer in South Xinjiang	93,499.10	240,000.00	93,499.10	240,000.00	Relating to income

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

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

#### 27. Deferred income *(continued)*

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

Item	Opening balance	Amount of new grants for the period	Profit or loss for the current period (Note)	Closing balance	Relating to assets/relating to income
Modern Water-saving Agricultural Science and Technology Demonstration Base	132,364.10	100,000.00	110,429.13	121,934.97	Relating to income
Integration and Demonstration of Key Technologies for Agricultural Water Conservation and Efficiency Increase and the Construction and Application of Information Service Systems	388,772.00	533,000.00	260,383.57	661,388.43	Relating to income
Research and Demonstration of Modern Irrigation Areas and Smart Agriculture Technology System in Arid Regions	141,875.56	150,000.00	166,120.28	125,755.28	Relating to income
Development and Application of High-Performance Pressure Compensation Irrigators	606,283.21	300,000.00	647,369.22	258,913.99	Relating to income
Research and Integration of Efficient Water-saving Irrigation Technology Models for Different Crops	125,910.40		110,671.93	15,238.47	Relating to income
Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products	1,480,000.00	4,060,000.00	381,745.06	5,158,254.94	Relating to income
Special Funds for the Revision of XPCC Standardized System		300,000.00	5,339.81	294,660.19	Relating to income

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

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

#### 27. Deferred income *(continued)*

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

Item	Opening balance	Amount of new grants for the period	Profit or loss for the current period (Note)	Closing balance	Relating to assets/relating to income
Special Funds for the Development of Small and Medium-sized Enterprises		400,000.00		400,000.00	Relating to income
Standardized technical model integration and demonstration for water-saving, quality improvement, and efficiency increase in fragrant pear cultivation		122,100.00	96,793.00	25,307.00	Relating to income
Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products (supporting the XPCC)		500,000.00	147,211.01	352,788.99	Relating to income
Research and demonstration of key technologies for the production of high-quality domestically produced cotton as a substitute for imported cotton		20,000.00		20,000.00	Relating to income
Special Funds for the Development of Small and Medium-sized Enterprises (funded by the Management Committee of the Development Zone)		200,000.00	200,000.00		Relating to income
Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration	515,843.40		409,692.12	106,151.28	Relating to income
Development of water-saving irrigation and ecological management products in South Xinjiang, and talent training for technology application	100,000.00	50,000.00	33,263.00	116,737.00	Relating to income

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

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

#### 27. Deferred income *(continued)*

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

Item	Opening balance	Amount of new grants for the period	Profit or loss for the current period (Note)	Closing balance	Relating to assets/relating to income
Demonstration of intelligent drip irrigation and fertilization control system for cotton in Xinjiang	132,243.92		132,243.92		Relating to income
Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration	117,657.66	110,000.00	227,657.66		Relating to income
Integration and Demonstration of Key Technologies for Agricultural Water Conservation and Efficiency Increase and the Construction and Application of Information Service Systems	213,000.00	214,000.00	180,644.23	<b>246,355.77</b>	Relating to income
Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative	149,856.14	43,396.23	87,126.61	<b>106,125.76</b>	Relating to income
Sub-total	13,390,484.86	7,776,232.08	4,942,043.01	<b>16,224,673.93</b>	

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

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

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

#### 28. Share capital

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

#### 29. Capital reserve

##### (1) Breakdown

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share capital premium)	16,198,138.96	258,306.58		<b>16,456,445.54</b>
Other capital reserve	10,000,000.00			<b>10,000,000.00</b>
Total	26,198,138.96	258,306.58		<b>26,456,445.54</b>



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

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

#### 29. Capital reserve *(continued)*

##### (2) Other information

The change in capital reserve for the period represented the difference of RMB258,306.58 between the cost of long-term equity investment newly acquired of RMB884,550.00 for the acquisition of 30% minority interest in Wisdom Agriculture, a subsidiary, and the share of identifiable net assets of RMB1,142,856.58 of Wisdom Agriculture continuously calculated at the increased proportion of shareholding from the date of combination.

#### 30. Surplus reserves

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

#### 31. Undistributed profits

Item	Current period	Corresponding period last year
Opening balance of undistributed profits	<b>-76,515,393.17</b>	-9,679,091.17
Add: net profits attributable to owners of the Parent Company for the current period	<b>-78,176,019.58</b>	-66,836,302.00
Closing balance of undistributed profits	<b>-154,691,412.75</b>	-76,515,393.17

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

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

#### 1. Operating income/operating cost

##### (1) Breakdown

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Income from principal businesses	1,360,221,203.03	1,338,022,587.48	1,061,427,902.55	1,000,920,173.70
Income from other businesses	83,234,033.31	84,677,540.31	50,190,126.11	41,445,058.10
Total	1,443,455,236.34	1,422,700,127.79	1,111,618,028.66	1,042,365,231.80
Including: Revenue from contracts with customers	1,441,372,657.09	1,421,523,049.77	1,108,916,915.77	1,040,802,918.33

##### (2) Breakdown of revenue

- 1) Breakdown of revenue from contracts with customers by types of goods or services

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Drip films, drip tape, and drip assembles	37,996,756.47	40,761,861.63	50,938,339.73	43,480,716.88
PVC pipes/PE pipes	164,140,973.63	161,131,207.03	285,668,724.94	259,436,666.02
Project	379,856,532.84	361,354,015.73	224,451,673.20	202,150,739.32
Trading	778,226,940.09	774,775,503.09	500,369,164.68	495,852,051.48
Other businesses	81,151,454.06	83,500,462.29	47,489,013.22	39,882,744.63
Sub-total	1,441,372,657.09	1,421,523,049.77	1,108,916,915.77	1,040,802,918.33

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

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

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

##### (2) Breakdown of revenue *(continued)*

##### 2) Breakdown of revenue from contracts with customers by operating regions

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Domestic	1,441,372,657.09	1,421,523,049.77	1,108,916,915.77	1,040,802,918.33
Sub-total	1,441,372,657.09	1,421,523,049.77	1,108,916,915.77	1,040,802,918.33

##### 3) Breakdown of revenue from contracts with customers by time of transfer of goods or services

Item	Current period	Corresponding period last year
Revenue recognised at a point of time	1,061,516,124.25	884,465,242.57
Revenue recognised over time	379,856,532.84	224,451,673.20
Sub-total	1,441,372,657.09	1,108,916,915.77

##### (3) Revenue recognized in the current period which included in the carrying amount at the beginning of the period of contract liabilities is RMB26,999,834.52.

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

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

#### 2. Taxes and surcharges

Item	Current period	Corresponding period last year
Land use tax	1,259,902.12	1,376,643.80
City maintenance and construction tax	931,450.17	958,113.15
Stamp duty tax	603,152.78	689,810.24
Property tax	462,795.77	499,652.15
Education surcharge	474,993.66	447,736.68
Local education surcharge	340,568.05	311,317.70
Vehicle and vessel use tax	14,867.10	16,092.30
Environmental protection tax	90.90	741.95
Total	4,087,820.55	4,300,107.97

#### 3. Distribution costs

Item	Current period	Corresponding period last year
Salaries benefits and social security contributions	13,279,794.01	14,249,452.33
Sale service fee	3,188,350.02	7,203,019.84
Tender fee	489,726.40	1,212,944.29
Depreciation charge	1,648,341.55	810,478.41
Lease expenses	909,144.81	780,603.48
Travel expenses	637,303.03	748,564.95
Materials consumption fees	292,514.10	98,870.74
Others	2,633,141.15	1,612,643.77
Total	23,078,315.07	26,716,577.81

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

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

#### 4. Administrative expenses

##### (1) Breakdown

Item	Current period	Corresponding period last year
Salaries benefits	<b>23,587,261.90</b>	24,889,391.75
Depreciation and amortization charges	<b>5,503,875.12</b>	3,560,795.66
Service fees	<b>1,139,401.93</b>	4,905,541.13
Agency service fees	<b>3,505,590.96</b>	4,461,362.22
Losses from work suspension		1,886,251.77
Travel expenses	<b>805,059.80</b>	1,248,609.92
Lease fees	<b>885,860.68</b>	1,431,395.30
Car expenses	<b>249,016.31</b>	323,703.76
Water, electricity, and heating fees	<b>463,636.78</b>	494,464.34
Office costs	<b>241,312.40</b>	757,744.02
Others	<b>5,266,314.20</b>	3,495,870.89
Total	<b>41,647,330.08</b>	47,455,130.76

(2) Included in the administrative expenses for the year was RMB0.75 million of auditor's remuneration (2021: RMB0.75 million).

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

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

#### 5. Research and development expenses

Item	Current period	Corresponding period last year
Employee remuneration	<b>1,392,336.00</b>	2,410,076.97
Materials	<b>3,342,730.65</b>	2,167,210.52
Labour service fees	<b>325,717.78</b>	323,280.02
Technological development fees	<b>1,013,078.53</b>	1,044,961.47
Travel expenses	<b>140,611.80</b>	149,661.35
Testing and examination fees	<b>8,490.57</b>	319,948.96
Other expenses	<b>539,541.10</b>	1,292,814.33
Total	<b>6,762,506.43</b>	7,707,953.62

#### 6. Finance costs

Item	Current period	Corresponding period last year
Interest expenses	<b>2,994,011.91</b>	3,874,065.10
Less: Interest income	<b>589,123.36</b>	578,562.66
Exchange gains or losses	<b>-0.62</b>	278.83
Commission	<b>145,768.83</b>	157,717.43
Total	<b>2,550,656.76</b>	3,453,498.70

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

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

#### 7. Other gains

Item	Current period	Corresponding period last year	Amount recognized in non-recurring profit or loss for the current period
Government grants relating to assets (Note)	1,200,000.00	1,269,054.05	1,200,000.00
Government grants relating to income (Note)	5,143,867.22	3,648,826.72	5,143,867.22
Refund of handling fees for withholding individual income taxes	7,592.25	16,461.33	7,592.25
<b>Total</b>	<b>6,351,459.47</b>	<b>4,934,342.10</b>	<b>6,351,459.47</b>

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

#### 8. Investment income

Item	Current period	Corresponding period last year
Return on long-term equity investments accounted with the equity method	<b>-639,064.09</b>	-644,860.83
<b>Total</b>	<b>-639,064.09</b>	-644,860.83

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

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

#### 9. Credit impairment loss

Items	Current period	Corresponding period last year
Bad debt loss	-10,386,628.08	-14,361,537.20
Total	-10,386,628.08	-14,361,537.20

#### 10. Asset impairment loss

Items	Current period	Corresponding period last year
Inventory impairment loss	-22,931,496.57	-22,029,593.58
Impairment loss on fixed assets		-11,428,521.88
Total	-22,931,496.57	-33,458,115.46

#### 11. Gains on disposal of assets

Item	Current period	Corresponding period last year	Amount recognized in non-recurring profit or loss for the current period
Gain from disposal of fixed assets	-161,829.89	419,719.05	-161,829.89
Gain from disposal of intangible assets		-19,976.40	
Gain from disposal of right-of-use assets	1,025,683.03		1,025,683.03
Total	863,853.14	399,742.65	863,853.14



**V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS** *(continued)***(II) Notes to items in the Consolidated Statement of Income** *(continued)***12. Non-operating income**

<b>Item</b>	<b>Current period</b>	<b>Corresponding period last year</b>	<b>Amount recognized in non-recurring profit or loss for the current period</b>
Current accounts not payable	3,751,203.71	881,189.58	3,751,203.71
Fines and forfeitures income	45,562.12	92,140.21	45,562.12
Others	146,182.96	39,117.76	146,182.96
<b>Total</b>	<b>3,942,948.79</b>	<b>1,012,447.55</b>	<b>3,942,948.79</b>

**13. Non-operating expenses**

<b>Item</b>	<b>Current period</b>	<b>Corresponding period last year</b>	<b>Amount recognized in non-recurring profit or loss for the current period</b>
Liquidated damages	156,156.05	165,866.62	156,156.05
Fines expenses and late fee	91,557.06	26,382.15	91,557.06
Others	1,347.55	154,112.32	1,347.55
<b>Total</b>	<b>249,060.66</b>	<b>346,361.09</b>	<b>249,060.66</b>

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

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

#### 14. Income tax charges

(1) Breakdown

Item	Current period	Corresponding period last year
Current income tax charges	<b>633,177.86</b>	1,081,096.06
Deferred income tax charges	<b>357,395.28</b>	890,012.97
Total	<b>990,573.14</b>	1,971,109.03

(2) Reconciliation between accounting profits and income tax expenses

Item	Current period	Corresponding period last year
Total profits	<b>-80,419,508.34</b>	-62,844,814.28
Income tax charges at the applicable tax rate of the parent	<b>-12,062,926.21</b>	-9,426,722.14
Effect of different tax rates adopted by subsidiaries	<b>1,833,728.80</b>	1,675,981.10
Effect of prior period income tax adjustment	<b>193,404.45</b>	-10,638.91
Tax effect of costs, expenses and losses not deductible	<b>4,479.21</b>	225,584.75
Effect of deductible losses that have not recognized for deferred income tax assets during the prior period	<b>-83,384.17</b>	-111,263.81
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax assets during the period	<b>11,811,215.61</b>	10,083,306.40
Additional deduction for qualified research and development expense	<b>-705,944.55</b>	-465,138.36
Income tax expenses	<b>990,573.14</b>	1,971,109.03

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

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

#### 1. Other cash received relating to operating activities

Item	Current period	Corresponding period last year
Interest income	589,123.36	578,562.66
Deposits, current accounts and petty cash received	34,978,066.87	8,583,906.32
Government grants received	9,178,056.29	7,405,951.25
Other non-operating income received	23,535.33	138,119.68
Total	44,768,781.85	16,706,539.91

#### 2. Other cash paid relating to operating activities

Item	Current period	Corresponding period last year
Cost of sales, administrative expenses paid, research and development costs	26,240,252.98	28,484,465.68
Financial handling charges paid	145,768.83	157,717.43
Security, deposit and current accounts paid	37,305,756.55	6,430,645.96
Non-operating expenses and others	92,125.88	26,382.15
Total	63,783,904.24	35,099,211.22

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

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

#### 3. Other cash received relating to investing activities

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

#### 4. Other cash received relating to financing activities

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

#### 5. Other cash paid relating to financing activities

Item	Current period	Corresponding period last year
Lease payment paid	<b>3,575,048.22</b>	6,796,155.31
Cash paid for the acquisition of minority interests	<b>884,550.00</b>	
Total	<b>4,459,598.22</b>	6,796,155.31

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

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

#### 6. Supplemental information to Cash Flows Statement

##### (1) Supplemental information to Cash Flows Statement

Supplemental information	Current period	Corresponding period last year
1) Adjusting net profits to cash flow for operating activities:		
Net profits	-81,410,081.48	-64,815,923.31
Add: provision for assets impairment	33,318,124.65	47,819,652.66
fixed asset depreciation, oil/gas asset depreciation and productive biological asset depreciation	11,938,620.01	14,269,694.12
depreciation of right-of-use assets	5,711,841.98	6,850,281.85
amortization of intangible assets	2,139,508.80	2,134,887.97
amortization of long-term deferred expenses	3,465,740.57	2,395,781.09
loss on disposal of fixed, intangible and other long-term assets (gain is denoted as “-”)	-863,853.14	-399,742.65
loss on retirement of fixed assets (gain is denoted as “-”)		
loss on changes in fair value (gain is denoted as “-”)		
finance cost (gain is denoted as “-”)	2,994,011.29	3,874,343.93
investment loss (gain is denoted as “-”)	639,064.09	644,860.83
decrease in deferred income tax assets (increase is denoted as “-”)	357,395.28	879,914.46
increase in deferred income tax liabilities (decrease is denoted as “-”)		
decrease in inventories (increase is denoted as “-”)	-1,681,195.05	7,084,580.35
decrease in operating receivables (increase is denoted as “-”)	-14,479,371.04	21,640,221.54
increase in operating payables (decrease is denoted as “-”)	98,168,567.82	6,490,186.37
others		
net cash flow generated from operating activities	60,298,373.78	48,868,739.21

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

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

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

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

Supplemental information	Current period	Corresponding period last year
2) Material investing and financing activities without cash payment or receipt:		
Conversion of debt to capital		
Convertible corporate bonds due within 1 year		
Fixed assets under finance leases		
3) Net change in cash and cash equivalents:		
Closing cash balance	236,223,587.59	144,117,032.09
Less: opening cash balance	144,117,032.09	115,370,689.73
Add: closing cash equivalents balance		
Less: opening cash equivalents balance		
Net increase in cash and cash equivalents	92,106,555.50	28,746,342.36

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

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

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

##### (2) Composition of cash and cash equivalents

Item	Closing balance	Closing balance of previous year
1) Cash	<b>236,223,587.59</b>	144,117,032.09
Including: Cash on hand		
Bank deposits readily available for payment	<b>236,208,680.68</b>	144,102,125.18
Other cash readily available for payment	<b>14,906.91</b>	14,906.91
Central bank deposits available for payment		
Deposits in players in the same industry		
Lending to players in the same industry		
2) Cash equivalents		
Including: Bond investment due within 3 months		
3) Closing balance of cash and cash equivalents	<b>236,223,587.59</b>	144,117,032.09
Including: Restricted cash and cash equivalents of Parent Company or subsidiaries within the Group		

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

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

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

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

Item	Current period	Previous period
Transfer amounts endorsed by commercial bills	<b>16,755,545.36</b>	23,276,952.21
Including: Payment for goods	<b>16,755,545.36</b>	23,276,952.21

### (IV) Others

#### 1. Assets with Ownership or Use Right restricted

Item	Carrying amount at the end of the period	Reason for Restriction
Cash	<b>2,522,891.86</b>	See V(I) 1(2) for details
Total	<b>2,522,891.86</b>	



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

### (IV) Others (continued)

#### 2. Government grants

##### (1) Breakdown

##### 1) Government grants relating to assets On a gross basis

On a gross basis

Item	Opening deferred income	New grants during the period	Amortization during the period	Closing deferred income	Amortization items for the current period	Description
Water saving irrigation technology products industrialization promotion project	2,528,621.82		1,200,000.00	1,328,621.82	Other income	Notice of the Finance Bureau of Xinjiang Production and Construction Corps on the Issuance of Special Funds for the Transformation of Scientific and Technological Achievements (《關於下達科技成果轉化專項資金的通知》) (Bing Cai Jian [2010] No. 100)
Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration	1,500,000.00			1,500,000.00	Other income	Notice of the Science and Technology Bureau of the Eighth Division on the Issuance of the 2018 Science and Technology Plan of the Division and City (《關於下達2018年度師市科技計劃的通知》) (Shi Shi Ke Fa [2018] No.50)
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines	2,500,000.00			2,500,000.00	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on 2021 XPCC Financial Science and Technology
Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration	960,945.95	250,000.00		1,210,945.95	Other income	Plan Project (《2021年度兵團財政科技計劃項目的通知》) (Bing Ke Fa [2021] No.3)
Wuqiang Peanut Cultivation Project		126,000.00		126,000.00	Other income	Agreement on Pilot Project of Shallow Burying Drip Irrigation Technology in Wuqiang County (《武強縣農田淺埋滴灌節水技術試點項目協議》)
Sub-total	7,489,567.77	376,000.00	1,200,000.00	6,665,567.77		

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Improvement in fertilizer placement devices under the drip-irrigation system and optimization of headworks	5,947.31		4,482.72	1,464.59	Other income	Sub-topic Mission Statement for Improvement in Fertilizer Placement Devices under the Drip-irrigation System and Optimization of Headworks
Research on the optimized model for the integrated water-and-fertilizer distribution of the farmland pipeline network for commercial crops and the related demonstration	23,537.02		23,537.02		Other income	Sub-topic Mission Statement for Research on the Optimized Model for the Integrated Water-and-fertilizer Distribution of the Farmland Pipeline Network for Commercial Crops and the Related Demonstration
Development of Key Technologies and New Products for Water Discharge and Salt Control in Agricultural Farmland	31,187.60			31,187.60	Other income	Sub-topic Mission Statement for Development of Key Technologies and New Products for Water Discharge and Salt Control in Agricultural Farmland
Key Research and Development Laboratory for Lvzhou Modern Agricultural Irrigation Systems and Products	486,834.77		62,242.53	424,592.24	Other income	Notice of the Science and Technology Bureau and the Finance Bureau of the XPCC Eighth Division on the Issuance of the 2019 Science and Technology Plan of the Division and City (《關於下達2019年度師市科技計劃的通知》) (Shi Ke Fa [2019] No.56)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Technical Research and Development of Integrated Under-Membrane Drip Irrigation for Cotton in Uzbekistan and the Related Demonstration	348,136.56		157,128.25	191,008.31	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on 2021 XPCC Financial Science and Technology Plan Project (《2021年度兵团财政科技计划项目的通知》) (Bing Ke Fa [2021] No.3)
Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative	113,153.06	37,735.85	73,726.46	77,162.45	Other income	Agreement on Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative
Cooperation Demonstration Zone under the National Belt and Road Initiative China-Ukraine training course on efficient water-saving agricultural irrigation technology	524,815.28			524,815.28	Other income	Notice of the Department of International Cooperation of the Ministry of Science and Technology on Issuing the Project Plan of Technical Training Courses for Developing Countries in 2020 (《科技部国际合作司关于下达2020年度发展中国家技术培训班项目计划的通告》) (Guo Ke Wai [2020] No. 3)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Special funds for cadres and talents assisting Xinjiang		20,000.00	10,736.38	9,263.62	Other income	Notice of the Organization Department of the Shihezi City Committee of the Eighth Division of the Communist Party of China on the issuance of the Measures for the Management of Special Funds for cadres and talents assisting Xinjiang in Shihezi City, Eighth Division (關於印發《八師石河子市援疆幹部人才專項經費管理辦法》的通知) (Shi Shi Dang Zu Fa [2020] No. 29)
XPCC Talent Development Project	170,000.00		120,000.00	50,000.00	Other income	Notice of the Organization Department of the Shihezi City Committee of the Eighth Division of the Communist Party of China on the Implementation of the Special Fund for Talent Development of the XPCC in 2021 (《關於做好2021年兵團人才發展專項資金實施工作的通知》) (Shi Shi Dang Zu Ming Chuan [2021] No. 21)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Research and Development of Water-saving Equipment for Special Forestry and Fruit and Key Technology Integration and Demonstration Project for Efficient Utilization of Water and Fertilizer in South Xinjiang	93,499.10	240,000.00	93,499.10	240,000.00	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on 2021 XPCC Financial Science and Technology Plan Project (《2021年度兵团财政科技计划项目的通知》) (Bing Ke Fa [2021] No.3)
Modern Water-saving Agricultural Science and Technology Demonstration Base	132,364.10	100,000.00	110,429.13	121,934.97	Other income	
Integration and Demonstration of Key Technologies for Agricultural Water Conservation and Efficiency Increase and the Construction and Application of Information Service Systems	388,772.00	533,000.00	260,383.57	661,388.43	Other income	Notice of the Science and Technology Bureau of the Finance Bureau of the XPCC Eighth Division on the Issuance of the 2021 Science and Technology Plan of the Division and City (《關於下達2021年度師市科技計劃的通知》) (Shi Shi Ke Fa [2021] No.8)
Research and Demonstration of Modern Irrigation Areas and Smart Agriculture Technology System in Arid Regions	141,875.56	150,000.00	166,120.28	125,755.28	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on 2021 XPCC Financial Science and Technology Plan Project (《2021年度兵团财政科技计划项目的通知》) (Bing Ke Fa [2021] No.3)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Development and Application of High-Performance Pressure Compensation Irrigators	606,283.21	300,000.00	647,369.22	258,913.99	Other income	Notice of the Finance Bureau and the Science and Technology Bureau of Shihezi City, Eighth Division of the Xinjiang Production and Construction Corps on Allocation of the Special Funds for the Construction of "Two Districts" for XPCC Science and Technology Development Special in 2021 (《關於撥付2021年兵團科技發展專項“兩區”建設專項資金的通知》) (Shi Shi Cai Yu [2021] No. 157)
Research and Integration of Efficient Water-saving Irrigation Technology Models for Different Crops	125,910.40		110,671.93	15,238.47	Other income	Notice of the Finance Bureau and the Science and Technology Bureau of Shihezi City, the Eighth Division of Xinjiang Production and Construction Corps on the Issuance of the 2022 Science and Technology Plan of the Division and City (《關於下達2022年度師市科技計劃的通知》) (Shi Shi Ke Fa[2022] No.10)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products	1,480,000.00	4,060,000.00	381,745.06	5,158,254.94	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on the Issuance of 2022 XPCC Financial Science and Technology Plan Projects (First Batch) (關於下達《2022年度兵團財政科技計劃項目(第一批)的通知》)(Bing Ke Fa [2022] No.7)
Special Funds for the Revision of XPCC Standardized System		300,000.00	5,339.81	294,660.19	Other income	Notice of the Market Supervision Administration of Xinjiang Production and Construction Corps on the Issuance of the Implementation Plan for the 2022 XPCC Market Supervision Special Funds (《關於印發2022年兵團市場監管專項資金實施方案》的通知)
Special Projects for the Development of Small and Medium-sized Enterprises (funded by MIIT)		400,000.00		400,000.00	Other income	Notice of Finance Bureau of Shihezi City, the Eighth Division on the Issuance of 2022 Special Funds for the Development of Small and Medium-sized Enterprises (《關於下達2022年中小企業發展專項資金的通知》)(Shi Shi Cai [2022] No. 50)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Standardized technical model integration and demonstration for water-saving, quality improvement, and efficiency increase in fragrant pear cultivation		122,100.00	96,793.00	25,307.00	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on the Issuance of 2022 XPCC Financial Science and Technology Plan Projects
Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products (supporting the XPCC)		500,000.00	147,211.01	352,788.99	Other income	(First Batch) (關於下達《2022年度兵團財政科技計劃項目(第一批)的通知》)(Bing Ke Fa [2022] No.7)
Research and demonstration of key technologies for the production of high-quality domestically produced cotton as a substitute for imported cotton		20,000.00		20,000.00	Other income	Notice of the Science and Technology Bureau and Finance Bureau of the XPCC Eighth Division on the Issuance of the 2022 Science and Technology Plan of the Division and City (《關於下達2022年度師市科技計劃的通知》)(Shi Shi Ke Fa [2022] No.10)



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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Special funds for the Development of Small and Medium-sized Enterprises (funded by the Management Committee of the Development Zone)		200,000.00	200,000.00		Other income	Notice of Finance Bureau of Shihezi City, the Eighth Division on the Allocation of Special Funds for the Development of Small and Medium-sized Enterprises in the Division and City (《關於撥付師市中小企業發展專項資金的通知》) (Shi Shi Cai Yu [2022] No. 205)
Research and Development of Key Technologies and Products for Efficient Xinjiang Lvzhou Modern Agricultural Irrigation Systems and the Related Demonstration	515,843.40		409,692.12	106,151.28	Other income	Notice of the Science and Technology Bureau of the Eighth Division on the Issuance of the 2018 Science and Technology Plan of the Division and City (《關於下達2018年度師市科技計劃的通知》) (Shi Shi Ke Fa [2018] No.50)
Development of water-saving irrigation and ecological management products in South Xinjiang, and talent training for technology application	100,000.00	50,000.00	33,263.00	116,737.00	Other income	Notice of Science and Technology Bureau of Xinjiang Production and Construction Corps on Issuance of 2021 XPCC Financial Science and Technology Plan Project (《關於下達《2021年度兵團財政科技計劃項目的通知》) (Bing Ke Fa [2021] No.3)

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Opening deferred income	New grants during the period	Carry forward for the current period	Closing deferred income	Carry forward items for the current period	Description
Demonstration of intelligent drip irrigation and fertilization control system for cotton in Xinjiang	132,243.92		132,243.92		Other income	Mission Statement for Key Special Projects under "Technology boosting Economy 2020" issued by the Ministry of Science and Technology of the People's Republic of China (《科技助力經濟2020》重點專項項目任務書)(Guo Ke Fa [2020] No.151)
Research and Development of Precise and Integrated Water-and-Fertilizer Technology and Equipment for Major Crops and the Application Demonstration	117,657.66	110,000.00	227,657.66		Other income	
Integration and Demonstration of Key Technologies for Agricultural Water Conservation and Efficiency Increase and the Construction and Application of Information Service Systems	213,000.00	214,000.00	180,644.23	246,355.77	Other income	
Agricultural Standardization International Cooperation Demonstration Zone under the National Belt and Road Initiative	149,856.14	43,396.23	87,126.61	106,125.76	Other income	Notice of the Standardization Administration of the People's Republic of China on the Issuance of Pilot Demonstration Projects for Standardization in the Field of Agriculture and Rural Areas and New-type Urbanization (《關於下達農業農村及新型城鎮化領域標準化試點示範項目的通知》)(Guo Biao Wei Fa [2020] No. 16)
Sub-total	5,900,917.09	7,400,232.08	3,742,043.01	9,559,106.16		

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

### (IV) Others (continued)

#### 2. Government grants (continued)

##### (1) Breakdown (continued)

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

Item	Amount	Presentation item	Description
Crop subsidies	480,057.73	Other income	Notice of the Department of Agriculture and Rural Affairs and Department of Finance of Liaoning Provincial on the Implementation of Producer Subsidy Policies in 2022 (《關於做好2022年生產者補貼政策落實工作的通知》)
Job stabilization subsidy	401,356.76	Other income	Notice of the Ministry of Human Resources and Social Security of the Ministry of Finance on the Implementation of the Special Support Plan for Enterprises for Stabilizing and Expanding Employment (Ren She Bu Fa [2020] No. 30)
Tax relief	298,409.72	Other income	“Six Taxes and Two Fees” Reduction Policy for Small and Micro Enterprises (Announcement [2022] No. 10 of the Ministry of Finance and the State Administration of Taxation)

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

### (IV) Others *(continued)*

#### 2. Government grants *(continued)*

##### (1) Breakdown *(continued)*

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

Item	Amount	Presentation item	Description
Government Grants for specialized, refined, differentiated and innovative enterprises	200,000.00	Other income	Notice of Ministry of Finance and Ministry of Industry and Information Technology on Supporting the Quality Development of “Specialized, Refined, Differentiated and Innovative” Small and Medium-sized Enterprises (《關於支持“專精特新”中小企業高質量發展的通知》) (Cai Jian [2021] No. 2)
Incentives for technology-based small and medium-sized enterprises	20,000.00	Other income	
Science and Technology Bureau Innovation and Entrepreneurship Competition Award	2,000.00	Other income	
Sub-total	1,401,824.21		

- (2) Government grants included in profit or loss for the current period amounted to RMB6,343,867.22.

## VI. MODIFICATION OF CONSOLIDATION SCOPE

### Changes to the consolidation scope due to other reasons

Company name	Way of equity acquisition	Date of equity acquisition	Capital contribution (RMB in ten thousand)	Proportion of capital contribution (%)
Modern Agricultural	Establishment	14th April, 2022	500.00	100.00

Note: The registered capital of Modern Agricultural is RMB20 million, and the Company has actually contributed RMB5 million in the current period.

## VII. INTEREST IN OTHER ENTITIES

### (I) Interest in important subsidiaries

#### 1. Composition of important subsidiaries

##### (1) Basic information

Name of subsidiary	Place of principal operation	Place of registration	Nature of business	Shareholding percentage (%)		Way of acquisition	Type of legal entity	Paid-in capital amount
				Direct	Indirect			
Kuitun Water Saving	Kuitun City, Xinjiang	Kuitun City, Xinjiang	Manufacturing	100.00		Establishment	Limited liability company	12,000,000.00
Akesu Tianye	Akesu City, Xinjiang	Akesu City, Xinjiang	Manufacturing	100.00		Establishment	Limited liability company	40,000,000.00
Tiancheng Water Saving	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	70.00		Establishment	Limited liability company	27,100,000.00
Liaoning Tianye	Tieling City, Liaoning	Tieling City, Liaoning	Manufacturing	100.00		Establishment	Limited liability company	10,000,000.00
Gansu Tianye	Zhangye City, Gansu	Zhangye City, Gansu	Manufacturing	100.00		Establishment	Limited liability company	78,550,000.00
Nanjiang Water Saving	Tumshukh, Xinjiang	Tumshukh, Xinjiang	Manufacturing	100.00		Establishment	Limited liability company	20,000,000.00

## VII. INTEREST IN OTHER ENTITIES *(continued)*

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

#### 1. Composition of important subsidiaries *(continued)*

##### (1) Basic information *(continued)*

Name of subsidiary	Place of principal operation	Place of registration	Nature of business	Shareholding percentage (%)		Way of acquisition	Type of legal entity	Paid-in capital amount
				Direct	Indirect			
Wisdom Agriculture	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	100.00		Establishment	Other limited liability company	1,852,483.31
Zhongxinnong Water Saving	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	59.00		Establishment	Other limited liability company	10,000,000.00
Xiyu Water Conservancy	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	100.00		Business combination under non-common control	Limited liability company	13,000,000.00
Xiying Water Saving	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	100.00		Business combination under non-common control	Limited liability company	10,000,000.00
Tianfu Ecological	Fuxin, Liaoning	Fuxin, Liaoning	Manufacturing	51.00		Establishment	Limited liability company	15,000,000.00
Hongrui Plastic	Urumuqi, Xinjiang	Urumuqi, Xinjiang	Trader	34.06		Business combination under non-common control	Limited liability company	9,100,000.00
Modern Agricultural	Hetian County, Xinjiang	Hetian County, Xinjiang	Manufacturing	100.00		Establishment	Limited liability company	5,000,000.00

## VII. INTEREST IN OTHER ENTITIES *(continued)*

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

#### 1. Composition of important subsidiaries *(continued)*

##### (2) Other descriptions

Basis of holding half or less voting right but still having control over the investees

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

#### 2. Important non-wholly-owned subsidiaries

Name of subsidiary	Shareholding percentage of minority interest	Profit or loss attributable to minority interest for the period	Distribution of dividend declared to minority interest for the period	Closing balance of minority interest
Wisdom Agriculture (note)		129,411.53		
Zhongxinnong Water Saving	41.00%	414,936.76		8,208,155.01
Tianfu Ecological	49.00%	326,024.01		7,686,390.44
Hongrui Plastic	65.94%	389,441.07		8,732,734.32
Tiancheng Water Saving	30.00%	-4,493,875.28		-2,985,640.31

Note: For details of the changes in equity in Wisdom Agriculture, please refer to the description set out in Note VII (I) of these financial statements

## VII. INTEREST IN OTHER ENTITIES *(continued)*

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

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

##### (1) Information on assets and liabilities

Name of subsidiary	Current assets	Non-current assets	Closing balance			Total liabilities
			Total Assets	Current liabilities	Non-current liabilities	
Zhongxinnong						
Water Saving	51,488,190.46	11,953.10	51,500,143.56	31,374,127.53	106,125.76	31,480,253.29
Tianfu Ecological	19,197,487.12	3,172,343.68	22,369,830.80	5,147,939.27	1,537,657.63	6,685,596.90
Hongrui Plastic	40,504,519.39	338,282.84	40,842,802.23	27,455,600.09	143,747.00	27,599,347.09
Tiancheng Water						
Saving	24,151,351.41	23,714,308.27	47,865,659.68	57,817,794.04		57,817,794.04

(continued from the previous table)

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



## VII. INTEREST IN OTHER ENTITIES *(continued)*

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

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

*(continued)*

(2) Information on profit or loss and cash flows

Name of subsidiary	Current period			
	Operating income	Net profits	Total comprehensive income	Cash flow from operating activities
Zhongxinnong				
Water Saving	28,802,531.67	1,012,040.89	1,012,040.89	16,638,039.78
Tianfu Ecological	31,659,460.18	665,355.13	665,355.13	600,287.98
Hongrui Plastic	794,901,396.73	590,599.13	590,599.13	-6,525,693.04
Tiancheng Water Saving	16,097,618.07	-14,979,584.25	-14,979,584.25	1,063,968.17

(continued from the previous table)

Name of subsidiary	Corresponding period last year			
	Operating income	Net profits	Total comprehensive income	Cash flow from operating activities
Wisdom				
Agriculture	12,067,448.78	590,980.51	590,980.51	-912,632.77
Zhongxinnong				
Water Saving	28,802,531.67	1,012,040.89	1,012,040.89	16,638,039.78
Tianfu Ecological	31,659,460.18	665,355.13	665,355.13	600,287.98
Hongrui Plastic	794,901,396.73	590,599.13	590,599.13	-6,525,693.04
Tiancheng Water Saving	16,097,618.07	-16,971,948.15	-16,971,948.15	1,063,968.17

## VII. INTEREST IN OTHER ENTITIES *(continued)*

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

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

Name of subsidiary	Time of change	Percentage of shareholding prior to change	Percentage of shareholding subsequent to change
Wisdom Agriculture	28th December, 2022	70.00%	100.00%

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

Item	The Company
Acquisition Costs	884,550.00
Cash	884,550.00
Fair value of non-cash assets	
Total acquisition costs	884,550.00
Less: Share of net assets of the subsidiary calculated based on the equity interests acquired	1,142,856.58
Difference	258,306.58
Including: Adjustment to capital reserve	258,306.58
Adjustment to surplus reserve	
Adjustment to undistributed profit	

### (III) Interest in joint venture or associates

#### 1. Key associates

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

**VII. INTEREST IN OTHER ENTITIES** *(continued)***(III) Interest in joint venture or associates** *(continued)***2. Key financial information of the important associates**

<b>Item</b>	<b>Closing balance/ Current period Jianshui Runnong Water Supply Co., Ltd.</b>	Closing balance of the previous year/ Corresponding period last year Jianshui Runnong Water Supply Co., Ltd.
Current assets	<b>12,254,450.80</b>	15,150,431.27
Non-current assets	<b>67,708,195.70</b>	71,287,571.13
Total Assets	<b>79,962,646.50</b>	86,438,002.40
Current liabilities	<b>43,964,044.79</b>	46,523,900.93
Non-current liabilities	<b>31,115,444.00</b>	32,748,572.00
Total liabilities	<b>75,079,488.79</b>	79,272,472.93
Minority interest		
Owners' equity attributable to the Parent Company	<b>4,883,157.71</b>	7,165,529.47
Net assets calculated pro rata in shareholding	<b>1,367,284.16</b>	2,006,348.25
Adjusting events		
Goodwill		
Unrealized profit from internal transactions		
Others	<b>-52,138.17</b>	-52,138.17
Carrying amount of investment in associates	<b>1,315,145.99</b>	1,954,210.08
Fair value of investment in associates with public offer		
Operating income	<b>3,756.88</b>	3,900.00
Net profits	<b>-2,282,371.76</b>	-2,303,074.40
Net profit for termination of business		
Other comprehensive income		
Total comprehensive income	<b>-2,282,371.76</b>	-2,303,074.40
Dividend from associates for the period		

## VIII. RISK RELATED TO FINANCIAL INSTRUMENTS

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

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

### (I) Credit Risk

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

#### 1. Credit risk management practices

##### (1) Credit risk assessment method

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

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

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

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

### (I) Credit Risk *(continued)*

#### 1. Credit risk management practices *(continued)*

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

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

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

#### 2. Measurement of expected credit losses

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

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

#### 4. Credit risk exposure and credit risk concentration

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

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

### (I) Credit Risk *(continued)*

#### 4. Credit risk exposure and credit risk concentration *(continued)*

##### (1) Cash

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

##### (2) Trade receivables

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

As the Company's risk in respect of trade receivables are distributed among a large number of counterparties and customers, as of 31st December, 2022, 23.05% (31st December, 2021: 26.59%) of the Company's trade receivables were derived from the five largest customers, and the Company did not have material concentrated credit risk.

The maximum credit risk exposure to the Company is the carrying amount of each financial asset presented in the balance sheet.

### (II) Liquidity risk

Liquidity risk refers to the risk of insufficient capital in discharging obligations in relation to a financial liability by an entity. It may be due to the inability to sell the financial liability at fair value timely; or due to the insolvency of the counterparty to serve its contractual debts; or due to accelerated debt maturity; or due to inability to incur expected cash flows.

For the purpose of controlling the risk, the Company sets its objective as maintaining a balance between continuity of funding and flexibility through the use of several financing methods such as notes settlement and bank borrowings, as well as optimizing financing structure through the combination of long and short-term financing. The Company has obtained banking facilities from several commercial banks to fund the working capital requirements and capital expenditure.

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

### (II) Liquidity risk *(continued)*

#### Classification of financial liabilities by remaining term to maturity

Item	Carrying amount	Closing balance			
		Amount of undiscounted contract	Within 1 year	1–3 years	Over 3 years
Bank loans	89,105,813.89	90,581,802.78	90,581,802.78		
Trade payables	333,094,316.80	333,094,316.80	333,094,316.80		
Other payables	33,140,516.98	33,140,516.98	33,140,516.98		
Non-current liabilities due within one year	2,676,912.83	3,774,625.79	3,774,625.79		
Lease liabilities	41,242,207.43	56,720,858.20		10,214,027.36	46,506,830.84
Sub-total	499,259,767.93	517,312,120.55	460,591,262.35	10,214,027.36	46,506,830.84

(continued from the previous table)

Item	Carrying amount	Closing balance of the previous year			
		Amount of undiscounted contract	Within 1 year	1–3 years	Over 3 years
Bank loans	43,418,100.54	44,197,649.34	44,197,649.34		
Trade payables	232,012,313.59	232,012,313.59	232,012,313.59		
Other payables	34,918,398.67	34,918,398.67	34,918,398.67		
Non-current liabilities due within one year	5,846,769.64	7,661,213.75	7,661,213.75		
Lease liabilities	43,615,956.46	59,697,421.09		11,842,595.89	47,854,825.20
Sub-total	359,811,538.90	378,486,996.44	318,789,575.35	11,842,595.89	47,854,825.20

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

### (III) Market Risk

Market risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market prices. Market risk comprises primarily of interest rate risk and exchange risk.

#### 1. Interest rate risk

Interest rate risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market rates. Interest-bearing financial instruments with fixed interest rates expose the Company to fair value interest rate risk, and interest-bearing financial instruments with floating interest rates expose the Company to cash flow interest rate risk. The Company determines the ratio of fixed-rate and floating-rate financial instruments according to the market environment, and maintains an appropriate portfolio of financial instruments through regular review and monitoring. The Company's exposure to interest rate risk is related to bank borrowings carrying interests at floating rates.

As at 31st December, 2022, the Company had bank borrowings of RMB30,000,000.00 (31st December, 2021: RMB36,580,000.00) at a floating interest rate, and a 50% base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

#### 2. Exchange risk

Exchange risk refers to the risk of fluctuation of the financial instruments' fair value or future cash flow arising from changes in exchange rate. The Company operates in Mainland China, and its activities are mainly denominated in RMB. Therefore, the Company's exposure to market risk of changes in exchange rate is insignificant.



## IX. DISCLOSURE OF FAIR VALUE

### (I) Breakdown of fair values of assets and liabilities measured at fair value, at the end of the period

Item	Fair value at the end of the period			Total
	Fair value measured at level 1	Fair value measured at level 2	Fair value measured at level 3	
Receivables financing			8,510,375.00	8,510,375.00

### (II) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The fair value of receivables financing is determined based on the carrying amount of the bills held.

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (I) Related parties

#### 1. Information on Parent Company of the Company

(1) *Parent Company of the Company*

Name of Parent Company	Place of registration	Nature of business	Registered capital	Shareholding percentage of the Parent Company in the Company (%)	Percentage of voting rights of the Parent Company in the Company (%)
Xinjiang Tianye Company Limited	Shihezi, Xinjiang	Manufacturing	1,707,354,260.00	38.91	38.91

(2) *The ultimate controller of the Company is Tianye Group.*

2. For details of the subsidiaries of the Company, please refer to note VII of the financial statements.

#### 3. Information on joint ventures and associates of the Company

For details of important joint ventures or associates of the Company, please refer to note VII of the financial statements.

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(continued)***(I) Related parties** *(continued)***4. Information on other related parties of the Company**

<b>Name of other related parties</b>	<b>Relationship between other related parties and the Company</b>
Tianwai Chemical Co., Ltd.*	Under common control of the parent company
Tianneng Chemical Co., Ltd.*	Under common control of the parent company
Tianneng Cement Co., Ltd.*	Under common control of the parent company
Tianwai Cement Co., Ltd.*	Under common control of the parent company
Xinjiang Tianye Foreign Trade Company Limited (新疆天業對外貿易有限責任公司)	Under common control of the parent company
Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司)	Under common control of the parent company
Shihezi Xinyuan Highway Transportation Co., Ltd.*	Under common control of the parent company
Shihezi Tianyu Xinshi Chemical Co., Ltd.*	Under common control of the parent company
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	Under common control of the Tianye Group
Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	Under common control of Tianye Group

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (I) Related parties *(continued)*

#### 4. Information on other related parties of the Company *(continued)*

Name of other related parties	Relationship between other related parties and the Company
Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*	Under common control of Tianye Group
Tianchen Chemical Co., Ltd.*	Under common control of Tianye Group
Tianbo Chenye Mining Co., Ltd.	Under common control of Tianye Group
Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司)	Under common control of Tianye Group
Xinjiang Tianye Huihe New Materials Co., Ltd.*	Under common control of Tianye Group
Xinjiang Tianye Huixiang New Materials Co., Ltd.*	Under common control of Tianye Group
Jinghe County Jingyi Mining Co., Ltd.*	Under common control of Tianye Group
Tianchen Cement Co., Ltd.*	Under common control of Tianye Group

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (I) Related parties *(continued)*

#### 4. Information on other related parties of the Company *(continued)*

Name of other related parties	Relationship between other related parties and the Company
Xinjiang Tianye (Group) Mining Co, Ltd*	Under common control of Tianye Group
Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司)	Under common control of Tianye Group
Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砼有限公司) (hereinafter referred to as “Silu Tianyang”)	Under common control of Tianye Group
Xinjing Bingtian Lvcheng Inspection Co., Ltd.	Under common control of Tianye Group
Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司)	Under common control of Tianye Group
Xinjiang Tianye Ecological Technology Company Limited	Under common control of Tianye Group
Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司)	Under common control of Tianye Group
Turpan Tianye Mineral Development Co., Ltd.	Under common control of Tianye Group
Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司)	Under common control of Tianye Group
Xinjiang Huiding Logistics Co., Ltd.* (新疆匯鼎物流有限公司)	Under common control of Tianye Group
Xinjiang Western Products Trade Co., Ltd.* (新疆西部物產貿易有限公司)	Under common control of Tianye Group
Xinjiang Tianchuang Technology Co., Ltd.* (新疆天創科技有限責任公司)	Under common control of Tianye Group

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (I) Related parties *(continued)*

#### 4. Information on other related parties of the Company *(continued)*

Name of other related parties	Relationship between other related parties and the Company
Turpan Tianye Mineral Development Co., Ltd.	Under common control of Tianye Group
Zhongxinjian Logistics Group Co., Ltd.* (中新建物流集團有限責任公司)	An invested company of Tianye Group
Xingjiang Production and Construction Corps Tianying Petroleum and Chemical Co., Ltd.* (新疆生產建設兵團天盈石油化工股份有限公司)	An invested company of Tianye Group
Farm 8 Shihezi City Oasis Transportation Investment Co., Ltd.*	A wholly-owned subsidiary of Tianye Group for the past 12 months
Deng Hongwen (鄧紅文)	Minority shareholders of subsidiaries
Gou Xiaoyun (苟筱雲)	Minority shareholders of subsidiaries
Jia Li (賈利)	An employee of a subsidiary
Deng Ziyue (鄧梓玥)	Close relative of minority shareholders of subsidiaries
Deng Liming (鄧立明)	Close relative of minority shareholders of subsidiaries
Deng Shangguang (鄧尚光)	Close relative of minority shareholders of subsidiaries

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions

#### 1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services

(1) *Related party transactions regarding purchase of goods and receipt of services*

Related Parties	Information on related party transactions	Current period	Corresponding period last year
Xinjiang Tianye Company Limited	Purchase of goods	35,939,850.37	67,846,252.65
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	Purchase of goods	18,728,345.79	2,490,184.45
Tianye Group	Purchase of goods, receipt of services	8,864,110.17	64,770,693.86
Silu Tianyang	Purchase of goods	5,924,233.01	2,073,792.72
Tianchen Chemical Co., Ltd.*	Purchase of goods	3,858,690.98	235,309.73
Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司)	Purchase of goods	2,558,444.46	
Xinjiang Western Products Trade Co., Ltd.* (新疆西部物產貿易有限公司)	Purchase of goods	1,716,672.57	
Tianneng Chemical Co., Ltd.*	Purchase of goods	1,576,374.42	
Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司)	Purchase of goods	667,800.00	2,028,318.58
Xinjiang Tianchuang Technology Co., Ltd.* (新疆天創科技有限責任公司)	Purchase of goods	311,607.08	

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

(1) *Related party transactions regarding purchase of goods and receipt of services (continued)*

Related Parties	Information on related party transactions	Current period	Corresponding period last year
Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司)	Purchase of goods, receipt of services	179,674.07	182,247.77
Shihezi Tianyu Xinshi Chemical Co., Ltd.*	Purchase of goods	161,740.51	372,895.21
Xinjing Bingtian Lvcheng Inspection Co., Ltd.	Receipt of services	74,948.21	281,891.32
Shihezi Xinyuan Highway Transportation Co., Ltd.*	Purchase of goods	30,377.55	24,729.90
Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司)	Purchase of goods	176,494.33	508,833.48
Xinjiang Tianye Ecological Technology Company Limited	Purchase of goods, receipt of services	19,364.96	
Tianwai Chemical Co., Ltd.*	Purchase of goods		192,780.00
Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司)	Purchase of goods		29,159.29
Xinjiang Tianye Huihe New Materials Co., Ltd.*	Purchase of goods		511.06
Total		80,637,839.11	141,037,600.02



## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

##### (2) Related party transactions regarding sale of goods and rendering of services

Related Parties	Information on related party transactions	Corresponding period	
		Current period	last year
Tianye Group	Provision of engineering services, sales of water-saving products	30,270,947.95	1,927,060.16
Xinjiang Tianye Huihe New Materials Co., Ltd.*	Provision of engineering services, sales of water-saving products	6,724,416.82	886,969.17
Xinjiang Tianye Ecological Technology Company Limited	Provision of engineering services, sales of water-saving products	6,087,864.93	5,412,402.06
Xinjiang Huiding Logistics Co., Ltd.* (新疆匯鼎物流有限公司)	Provision of engineering services	2,761,133.21	
Tianneng Chemical Co., Ltd.*	Sales of water-saving products, provision of engineering services	1,565,300.26	1,644,218.15
Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司)	Sales of water-saving products	1,429,104.87	13,104.00
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	Sales of water-saving products	1,334,319.89	35,910.00

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

##### (2) Related party transactions regarding sale of goods and rendering of services *(continued)*

Related Parties	Information on related party transactions	Corresponding period	
		Current period	last year
Tianchen Chemical Co., Ltd.*	Sales of water-saving products	1,193,591.76	314,312.02
Tianwai Chemical Co., Ltd.*	Sales of water-saving products	1,176,580.99	265,211.39
Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	Sales of water-saving products, provision of consulting services	546,300.15	141,043.93
Tianwai Chemical Co., Ltd.*	Sales of water-saving products	234,200.90	44,730.00
Shihezi Tianyu Xinshi Chemical Co., Ltd.*	Sales of water-saving products	137,600.00	5,746.47
Tianneng Cement Co., Ltd.*	Sales of water-saving products	144,081.42	40,572.00
Zhongxinjian Logistics Group Co., Ltd.*(中新建物流集團有限責任公司)	Rendering of services	136,328.05	
Tianchen Cement Co., Ltd.*	Sales of water-saving products	64,184.39	48,724.12

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

##### (2) Related party transactions regarding sale of goods and rendering of services *(continued)*

Related Parties	Information on related party transactions	Corresponding period	
		Current period	last year
Xinjing Bingtian Lvcheng Inspection Co., Ltd.	Allocation and transfer of materials	13,809.29	
Jinghe County Jingyi Mining Co., Ltd.*	Sales of water-saving products	17,675.66	20,343.44
Xinjiang Production and Construction Corps Tianying Petroleum and Chemical Co., Ltd.* (新疆生產建設兵團天盈石油化工有限公司)	Sales of water-saving products	12,792.02	
Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司)	Sales of agricultural crops	9,964.60	2,634.00
Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司)	Sales of water-saving products and raw materials	6,183.87	12,987.00
Farm 8 Shihezi City Oasis Transportation Investment Co., Ltd.*	Sales of water-saving products	4,268.95	5,472,796.87
Xinjiang Tianye (Group) Mining Co, Ltd*	Sales of water-saving products	1,802.09	35,637.78
Xinjiang Tianye Huixiang New Materials Co., Ltd.*	Allocation and transfer of materials	1,349.56	
Shihezi Xinyuan Highway Transportation Co., Ltd	Sales of water-saving products	1,188.05	17,262.00
Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司)	Sales of labor protection products	1,007.80	

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services *(continued)*

##### (2) Related party transactions regarding sale of goods and rendering of services *(continued)*

Related Parties	Information on related party transactions	Corresponding period	
		Current period	last year
Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*	Rendering of services		165,815.26
Xinjiang Tianye Company Limited	Sales of agricultural crops		89,608.60
Tianbo Chenye Mining Co., Ltd.	Sales of agricultural crops		18,522.00
Silu Tianyang	Sales of agricultural crops		9,450.00
Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司)	Sales of agricultural crops		4,284.00
Xinjiang Tianye Foreign Trade Company Limited (新疆天業對外貿易有限責任公司)	Sales of agricultural crops		3,654.00
Turpan Tianye Mineral Development Co., Ltd.	Sales of agricultural crops		1,260.00
Total		53,875,997.48	16,634,258.42

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** *(continued)***(II) Information on related party transactions** *(continued)***2. Information on related party leases***(1) The Company as a lessor*

Name of lessee	Type of leased assets	Rental income recognized for the period	Rental income recognized for the corresponding period last year
Tianye Group	Buildings	410,987.24	405,677.51
Tianwai Cement Co., Ltd.*	Folding houses	30,088.49	
Tianneng Chemical Co., Ltd.*	Folding houses	30,088.49	
Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司)	Folding houses	17,699.12	
Xinjing Bingtian Lvcheng Inspection Co., Ltd.	Folding houses	15,929.20	
Tianchen Chemical Co., Ltd.*	Folding houses	14,159.29	
Xinjiang Tianye Ecological Technology Company Limited	Folding houses	10,619.47	
Shihezi Tianyu Xinshi Chemical Co., Ltd.*	Folding houses	10,619.47	
Xinjiang Tianye Company Limited	Folding houses	10,619.46	
Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	Folding houses	8,849.56	

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 2. Information on related party leases *(continued)*

(2) *The Company as a lessee*

##### For the period

Name of lessor	Type of leased assets	Rental costs for short-term lease and low-value asset lease with simplified approach and variable lease payments not included in the measurement of lease liabilities	Current period		
			Recognition of leases of right-of-use assets	Lease payment (excluding variable lease payments not included in the measurement of lease liabilities)	Increase in principal amount of lease liabilities
Tianye Group	Buildings		185,082.57	832,871.56	18,855.89
Xinjiang Tianye Company Limited	Buildings		258,643.02	775,929.06	26,522.47
Deng Hongwen (鄧紅文)	Buildings		150,000.00	450,000.00	17,987.85

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 2. Information on related party leases *(continued)*

(2) *The Company as a lessee (continued)*

(continued from the previous table)

Name of lessor	Type of leased assets	Corresponding period last year			
		Rental costs for short-term lease and low-value asset lease with simplified approach and variable lease payments not included in the measurement of lease liabilities	Recognition of leases of right-of-use assets (excluding variable lease payments not included in the measurement of lease liabilities)	Increase in principal amount of lease liabilities	Interest expenses recognized
Tianye Group					
Xinjiang Tianye Company Limited	Buildings		482,809.83	1,149,001.20	36,414.19
Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*	Buildings		27,375.00	167,740.61	6,084.94

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 3. Information on related party guarantee

The Company and its subsidiaries as a guaranteed party

Guarantor	Amount of guarantee	Commencement date of guarantee	Expiring date of guarantee	Whether the guarantee has been fulfilled
Tianye Group	50,000,000.00	29th April, 2022	29th April, 2023	No
Tianye Group	30,000,000.00	16th November, 2022	16th September, 2023	No

#### 4. Compensation to key management personnel

Item	Current period	Corresponding period last year
Compensation to key management personnel	2,070,981.77	2,242,723.37



**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (continued)**(II) Information on related party transactions** (continued)**5. Remuneration of Directors and Supervisors**

Item	Current period				Total
	Salary, bonus, allowances, and subsidy	Housing provident fund	Old age pension	Other social security insurance	
Executive Directors:					
Li He	218,392.74	23,328.00	53,628.18	15,780.00	311,128.92
Yang Ling					
Jiang Dayong					
Tan Xinmin	150,654.74	22,920.00	52,834.17	15,528.00	241,936.91
Chen Lin					
Huang Dong					
Independent non-executive Directors:					
Li Lianjun	25,000.00				25,000.00
He Xinlin	15,000.00				15,000.00
Gu Li	30,000.00				30,000.00
Hung Ee Tek	45,022.00				45,022.00
Yin Feihu	7,500.00				7,500.00
Qin Ming	7,500.00				7,500.00
Supervisors:					
Wang Zhigang	45,203.36	7,686.00	19,006.44	5,624.00	77,519.80
Xie Xinghui	30,000.00				30,000.00
Chen Jun	129,851.52	4,635.00	11,681.01	3,456.00	149,623.53
Chen Cailai					
<b>Total</b>	<b>704,124.36</b>	<b>58,569.00</b>	<b>137,149.80</b>	<b>40,388.00</b>	<b>940,231.16</b>

(continued from the previous table)

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 5. Remuneration of Directors and Supervisors *(continued)*

Item	Corresponding period last year				Total
	Salary and subsidy	Old age pension	Housing provident fund	Other social security insurance	
Executive Directors:					
Li He					
Yang Ling					
Jiang Dayong					
Tan Xinmin	194,118.67	50,977.68	25,716.00	15,036.00	285,848.35
Chen Lin	57,200.00	13,069.84	5,900.00	3,828.00	79,997.84
Huang Dong					
Independent non-executive Directors:					
Li Lianjun					
He Xinlin					
Gu Li	30,000.00				30,000.00
Hung Ee Tek	49,800.00				49,800.00
Yin Feihu	30,000.00				30,000.00
Qin Ming	30,000.00				30,000.00
Supervisors:					
Wang Zhigang					
Xie Xinghui	30,000.00				30,000.00
Chen Jun	172,850.70	43,371.00	21,132.00	12,360.00	249,713.70
Chen Cailai					
<b>Total</b>	<b>593,969.37</b>	<b>107,418.52</b>	<b>52,748.00</b>	<b>31,224.00</b>	<b>785,359.89</b>

Note 1: The remuneration and retirement benefits of Yang Ling, Jiang Dayong and Chen Cailai were paid by Tianye Group, and the Company was not required to reimburse the remuneration and retirement benefits paid by the Tianye Group.

Note 2: Chen Lin and Huang Dong resigned as executive Directors in February and June 2022, and Yin Feihu and Qin Ming resigned as independent non-executive Directors in February and June 2022.

Note 3: Li He, Yang Ling and Jiang Dayong were appointed as executive Directors at the general meeting in February and June 2022, and Li Lianjun and He Xinlin were appointed as independent non-executive Directors at the general meeting in February and June 2022.

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (II) Information on related party transactions *(continued)*

#### 6. Five highest paid employees

Of the five highest paid employees during the year, 1 (2021: 1) were Directors. The remunerations of the remaining 4 (2021: 4) employees who are not Directors are as set out below:

Item	Current period	Corresponding period last year
Salary, bonus, allowance and subsidy	1,091,150.80	969,546.68
Housing provident fund	100,542.00	117,630.00
Old age pension	240,138.76	237,159.12
Other social security insurance	56,304.00	58,068.00
Total	1,488,135.56	1,382,403.80

The remunerations of 4 (2021: 4) employees who are not Directors were within the following bands:

Item	Individuals of current period	Individuals of corresponding period last year
HK\$0 to HK\$1,000,000	4	4

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (III) Amount due from/to related party

#### 1. Amount due from related party

Name of item	Related party	Closing balance		Closing balance of the previous year	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Trade receivables	Xinjiang Tianye Company Limited*	523,809.52		523,809.52	
	Tianneng Chemical Co., Ltd.*	57,683.87		18,114.54	
	Farm 8 Shihezi City Oasis Transportation Investment Co., Ltd.*	725,936.26	110,576.33	846,947.36	42,347.37
	Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*	1,573,038.51	749,699.28	35,448.00	1,772.40
	Tianye Group	1,035,422.00	31,062.66		
	Xinjiang Production and Construction Corps Tianying Petroleum and Chemical Co., Ltd.*(新疆生產建設兵團天盈石油化工有限公司)	14,455.00	433.65		
	Xinjiang Western Agricultural Material Logistics Co., Ltd.*(新疆西部農資物流有限公司)	14,039.00	421.17		
	Xinjiang Tianye Huihe New Materials Co., Ltd.*	980.00	29.40		
	Sub-total	3,945,364.16	892,222.49	1,424,319.42	44,119.77
	Prepayments	Xinjiang Western Agricultural Material Logistics Co., Ltd.*(新疆西部農資物流有限公司)	2,915,160.65		2,374,053.87
Tianye Group		9,980,000.00			
Xinjiang Tianye Company Limited		2,455,987.80			
Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*				1,457,190.51	
Sub-total		15,351,148.45		3,831,244.38	
Other receivables	Beijing Tianye Oasis Technology Development Co., Ltd.*(北京天業綠洲科技發展有限公司)	10,000.00		10,000.00	
Sub-total	10,000.00		10,000.00		

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS** (continued)**(III) Amount due from/to related party** (continued)**2. Amount due to related party**

Name of item	Related party	Closing balance	Closing balance of the previous year
Trade payables	Tianye Group	<b>66,611,053.02</b>	83,477,058.97
	Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	<b>6,542,978.13</b>	
	Xinjiang Tianye Company Limited*	<b>4,920,087.92</b>	4,112,757.42
	Tianchen Chemical Co., Ltd.*	<b>4,087,092.14</b>	3,010.00
	Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司)	<b>2,891,042.24</b>	
	Silu Tianyang	<b>1,852,537.50</b>	542,124.50
	Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司)	<b>667,800.00</b>	
	Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司)	<b>88,755.46</b>	
	Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*	<b>80,400.00</b>	
	Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司)	<b>4,820.00</b>	
Sub-total		<b>87,746,566.41</b>	88,134,950.89
Contract liabilities	Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	<b>188,777.50</b>	
	Xinjiang Tianye Huixiang New Materials Co., Ltd.*	<b>111,000.00</b>	
	Xinjiang Tianye Ecological Technology Company Limited	<b>6,803.60</b>	655,682.87
	Tianchen Chemical Co., Ltd.*	<b>45.00</b>	
Sub-total		<b>306,626.10</b>	655,682.87

## X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)*

### (III) Amount due from/to related party *(continued)*

#### 2. Amount due to related party *(continued)*

Name of item	Related party	Closing balance	Closing balance of the previous year	
Other payables	Deng Hongwen (鄧紅文)	7,681,252.36	7,184,378.96	
	Jia Li (賈利)	2,920,175.82		
	Deng Ziyue (鄧梓玥)	500,000.00		
	Deng Shanguang (鄧尚光)	210,600.00	200,000.00	
	Gou Xiaoyun (苟筱蕓)	200,000.00	200,000.00	
	Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	100,000.00		
	Tianneng Chemical Co., Ltd.*	17,000.00		
	Tianwai Chemical Co., Ltd.*	14,000.00		
	Tianye Group	11,222.00		
	Tianchen Chemical Co., Ltd.*	11,000.00		
	Shihezi Development Zone Tianye Vehicle Maintenance Service Co., Ltd.* (石河子開發區天業車輛維修服務有限公司)	10,000.00		
	Xinjing Bingtian Lvcheng Inspection Co., Ltd.	9,000.00		
	Xinjiang Tianye Company Limited*	6,000.00	5,202.00	
	Xinjiang Tianye Ecological Technology Company Limited	6,000.00		
	Shihezi Tianyu Xinshi Chemical Co., Ltd.*	6,000.00		
	Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	5,000.00		
	Tianwai Cement Co., Ltd.*	3,000.00		
	Deng Liming (鄧立明)		30,000.00	
	Sub-total		11,710,250.18	7,619,580.96

## **XI. COMMITMENTS AND CONTINGENCIES**

### **(I) Significant Commitments**

As of 31st December, 2022, the Company had no commitments that required to be disclosed.

### **(II) Contingencies**

As of 31st December, 2022, the Company had no contingencies that required to be disclosed.

## **XII. POST BALANCE SHEET DATE EVENT**

### **(I) Equity Transfer**

On 11th October, 2022, Tianye Group, the ultimate controller of the Company, passed a resolution at the board of directors' meeting in respect of the proposed acquisition of 38.91% equity interests in the Company held by Xinjiang Tianye Company Limited. Upon the equity transfer, the Company will become a directly controlled subsidiary of Tianye Group. On 24th March, 2023, the shareholders of Xinjiang Tianye Company Limited has passed a resolution at a general meeting and as at the date of approval of these financial statements, the transfer has not been completed.

### **(II) Equity Acquisition**

Xinjiang Tianhe Yida Investment Co., Ltd.\* (新疆天合意達投資有限公司) (hereinafter referred to as "Tianhe Yida") is a wholly-owned subsidiary of Tianye Group, the ultimate controller of the Company. On 25th November, 2022, Tianhe Yida transferred its 51% equity interest in Silu Tianyang to the Company at a consideration of RMB15,647,200.00. The Completion has taken place on 28th February, 2023.

## XII. POST BALANCE SHEET DATE EVENT *(continued)*

### (III) Litigations

1. On 11th January, 2023, the Company received a subpoena from the People's Court of Chicheng County, Hebei Province regarding a dispute over a construction project contract between Zhangjiakou Haofeng Plastic Industry Co., Ltd. (張家口浩豐塑業有限公司) and the Company, which was heard on 9th February, 2023 (Case No. (2022) Ji 0732 Min Chu 949). As of the approval date of these financial statements, the case has been heard in court but has not yet been decided, and therefore the impact on the financial condition and operating results of the Company cannot be estimated for the time being, except for the frozen capital of RMB1,020,000.00.
2. On 21st January, 2023, Xiyu Water Conservancy, a subsidiary of the Company, received a subpoena from the People's Court of Shihezi City, Xinjiang Uygur Autonomous Region regarding a labor contract dispute case between Pang Liqing (龐立青) and Xiyu Water Conservancy and Xu Jianxin (徐建新), which was heard on 1st February, 2023 (Case No. (2022) Bing 9001 Min Chu 4155). As of the approval date of these financial statements, the case has been heard in court but has not yet been decided, and therefore the impact on the financial condition and operating results of the Company cannot be estimated for the time being, except for the frozen capital of RMB1,460,000.00.



### XIII. OTHER SIGNIFICANT EVENTS

#### (I) Segment information

##### 1. Factors considered in determining reportable segments

The Company determines its reportable segments based on business segments. The assets and liabilities commonly used by each segment are matched between different segments in accordance with the scale of the proportion.

##### 2. Financial information of the reportable segments

*Business segments*

Item	Water-saving products	Trading income	Inter-segment elimination	Total
Operating revenue	723,910,319.79	794,901,396.73	75,356,480.18	1,443,455,236.34
Including: Revenue from contracts with customers	721,550,686.99	794,901,396.73	75,079,426.63	1,441,372,657.09
Cost of sales	706,603,573.60	791,449,959.73	75,353,405.54	1,422,700,127.79
Total assets	1,324,997,838.69	40,842,802.23	336,430,473.41	1,029,410,167.51
Total liabilities	724,176,941.17	27,599,347.09	169,163,348.23	582,612,940.03

### XIII. OTHER SIGNIFICANT EVENTS *(continued)*

#### (II) Lease

##### The Company as lessee

- For relevant details of the right-of-use assets, please refer to Note V(l) 12 to these financial statements.
- For details of the accounting policies for short-term leases and leases of low-value assets, please refer to Note III (25) to these financial statements. The amount of short-term lease expenses and low-value asset lease expenses through profit or loss for the period are as follows:

Item	Current period	Corresponding period last year
Expenses on short-term leases	1,795,005.49	2,211,998.78
Expenses on leases of low-value assets (excluding short-term leases)		
Total	1,795,005.49	2,211,998.78

- Profit or loss and cash flows related to the lease for the period*

Item	Current period	Corresponding period last year
Interest expenses on lease liabilities	167,891.51	2,011,513.13
Variable lease payments not included in the measurement of lease liabilities included in profit or loss for the period		
Income from sublease of right-of-use assets		
Total cash outflow related to leases	5,370,053.71	9,008,154.09
Relevant profit or loss arising from the leaseback transactions		

- For the analysis of the maturity of lease liabilities and the corresponding liquidity risk management, please refer to Note VIII(2) to these financial statements.

## XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### (I) Notes to items in the Balance Sheet of the Parent Company

#### 1. Trade receivables

##### (1) Breakdown

##### 1) Breakdown by category

Category	Book balance		Closing balance Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Percentage of provision	
		(%)		(%)	
Bad-debt provision made on a separate basis	16,697,571.63	21.87	15,282,661.78	91.53	1,414,909.85
Bad-debt provision made on a group basis	59,645,439.17	78.13	17,413,911.60	29.20	42,231,527.57
Total	76,343,010.80	100.00	32,696,573.38	42.83	43,646,437.42

(continued from the previous table)

Category	Book balance		Closing balance of the previous year Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Percentage of provision	
		(%)		(%)	
Bad-debt provision made on a separate basis	22,289,570.15	28.54	17,999,466.60	80.75	4,290,103.55
Bad-debt provision made on a group basis	55,802,850.22	71.46	12,866,526.26	23.06	42,936,323.96
Total	78,092,420.37	100.00	30,865,992.86	39.52	47,226,427.51

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

##### (I) Notes to items in the Balance Sheet of the Parent Company (continued)

##### 1. Trade receivables (continued)

###### (1) Breakdown (continued)

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

Name of entity	Book balance	Bad-debt provision	Percentage of provision (%)	Reason for provision
Regiment No. 124 of Farm 7	2,761,283.08	2,761,283.08	100.00	No extrabudgetary funds being disbursed as it is beyond the national budget for the project after inspection and auditing
Liaoning Dongrun Seed Industry Co., Ltd.*	3,000,000.00	3,000,000.00	100.00	Expected to be irrecoverable as it is in the process of enforcement due to insolvency of the counterparty
Kaiyuan Agricultural Technology Promotion Center*	931,850.12	931,850.12	100.00	Expected to be irrecoverable due to on-going appeal
Heilongjiang Province Fuyu Pasture*	831,520.00	831,520.00	100.00	Expected to be irrecoverable due to disagreement on the quality upon acceptance
Guangxi Gaoliang Agricultural High-Tech Development Limited* (廣西高良科技農業開發有限公司)	1,475,998.79	1,475,998.79	100.00	Expected to be irrecoverable as it has been revoked
Inner Mongolia Mining Exploitation Co., Ltd.	5,474,094.30	5,474,094.30	100.00	Expected to be irrecoverable despite submission of an appeal
Regiment No. 128 of Farm 7	147,681.25	147,681.25	100.00	Expected to be Irrecoverable as the other party is out of contact
Xinjiang Asina Agricultural Technology Limited* (新疆阿斯納農科公司)	531,786.65	531,786.65	100.00	Expected to be irrecoverable due to on-going appeal
Zeng Mingmin (曾明敏)	128,447.59	128,447.59	100.00	Expected to be irrecoverable due to disagreement on the quality upon acceptance
Wisdom Agriculture	691,444.61			A related party in a business combination, without credit losses after testing
Xinjiang Tianye Company Limited	523,809.52			A related party, without credit losses after testing
Liaoning Tianye	199,655.72			A related party in a business combination, without credit losses after testing
Sub-total	16,697,571.63	15,282,661.78	91.53	

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 1. Trade receivables *(continued)*

(1) Breakdown *(continued)*

- 3) Trade receivables for which bad-debt provision has been made using group provision method

Item	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Group of receivables from non-government authorities	45,802,950.48	14,629,721.09	31.94
Group of receivables from government authorities	13,842,488.69	2,784,190.51	20.11
Sub-total	59,645,439.17	17,413,911.60	29.20

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 1. Trade receivables *(continued)*

(1) Breakdown *(continued)*

3) Trade receivables for which bad-debt provision has been made using group provision method *(continued)*

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	13,889,091.27	416,672.75	3.00
1-2 years	4,690,286.85	703,543.03	15.00
2-3 years	2,596,096.83	519,219.36	20.00
3-4 years	14,622,305.97	7,311,152.99	50.00
4-5 years	8,652,073.20	4,326,036.60	50.00
Over 5 years	1,353,096.36	1,353,096.36	100.00
Sub-total	45,802,950.48	14,629,721.09	31.94

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 1. Trade receivables *(continued)*

(1) Breakdown *(continued)*

3) Trade receivables for which bad-debt provision has been made using group provision method *(continued)*

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	1,705,231.66	17,052.32	1.00
1-2 years	4,149,144.79	207,457.24	5.00
2-3 years	5,181,063.00	518,106.30	10.00
3-4 years	573,469.20	143,367.30	25.00
4-5 years	172,330.28	43,082.57	25.00
Over 5 years	2,061,249.76	1,855,124.78	90.00
Sub-total	13,842,488.69	2,784,190.51	20.11

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 1. Trade receivables *(continued)*

##### (2) Aging analysis

Aging	Closing balance			Closing balance of the previous year		
	Book balance	Bad-debt provision	Percentage (%)	Book balance	Bad-debt provision	Percentage (%)
Within 1 year	16,485,423.26	433,725.07	2.63	14,137,500.99	405,857.35	2.87
1-2 years	9,378,464.79	1,039,447.86	11.08	14,380,644.05	1,096,608.89	7.63
2-3 years	7,777,159.83	1,037,325.66	13.34	16,390,863.60	3,074,888.49	18.76
3-4 years	15,195,775.17	7,454,520.29	49.06	18,613,497.78	12,000,713.47	64.47
4-5 years	14,411,721.74	9,843,213.47	68.30			
Over 5 years	13,094,466.01	12,888,341.03	98.43	14,569,913.95	14,287,924.66	98.06
Total	76,343,010.80	32,696,573.38	42.83	78,092,420.37	30,865,992.86	39.52

The aged analysis over accounts receivable is based on the month in which the amount is actually incurred, and the amount which occurs first has priority in settlement with respect to turnover.

##### (3) Changes in bad-debt provision

##### 1) Breakdown

Item	Opening balance	Increase during the period			Decrease during the period			Closing balance
		Provision	Recovery	Others	Write-back	Write-off	Others	
Bad-debt provision made								
on a separate basis	17,999,466.60				2,716,804.82			15,282,661.78
Bad-debt provision made								
on a group basis	12,866,526.26	4,547,385.34						17,413,911.60
Total	30,865,992.86	4,547,385.34			2,716,804.82			32,696,573.38



#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

##### (I) Notes to items in the Balance Sheet of the Parent Company (continued)

##### 1. Trade receivables (continued)

2) Significant recovery or write-back of bad-debt provision during the current period

Name of entity	Amount recovered or written back	Method
Inner Mongolia Mining Exploitation Co., Ltd.	2,000,000.00	Bank transfer, bank acceptance bills
Hongshan Farmland under the 13th Division of Xinjiang Production and Construction Corps	716,804.82	Bank transfer
Sub-total	2,716,804.82	

(4) Top 5 trade receivables

Name of entity	Book balance	Percentage to trade receivables balance (%)	Bad-debt provision
Xinjiang Jiarun International Trade Development Co., Ltd.*	23,508,696.20	30.79	11,182,409.82
Inner Mongolia Mining Exploitation Co., Ltd.	5,474,094.30	7.17	5,474,094.30
Water Administration Station of Shanshan County	3,393,059.62	4.44	381,378.36
Shihezi City Water Conservancy Engineering Management Service Center of the Eighth Division (第八師石河子市水利工程管理服務中心)	3,017,549.77	3.95	148,987.41
Liaoning Dongrun Seed Industry Co., Ltd.*	3,000,000.00	3.93	3,000,000.00
Sub-total	38,393,399.89	50.29	20,186,869.89

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

##### (I) Notes to items in the Balance Sheet of the Parent Company (continued)

##### 2. Other receivables

##### (1) Breakdown

##### 1) Breakdown by category

Category	Book balance		Closing balance Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Percentage of provision	
		(%)		(%)	
Bad-debt provision made on a separate basis	102,059,478.99	93.38			102,059,478.99
Bad-debt provision made on a group basis	7,232,963.02	6.62	945,268.48	13.07	6,287,694.54
Total	109,292,442.01	100.00	945,268.48	0.86	108,347,173.53

(continued from the previous table)

Category	Book balance		Closing balance of the previous year Bad-debt provision		Carrying amount
	Amount	Percentage	Amount	Percentage of provision	
		(%)		(%)	
Bad-debt provision made on a separate basis	122,078,519.57	94.93			122,078,519.57
Bad-debt provision made on a group basis	6,519,059.48	5.07	584,228.07	8.96	5,934,831.41
Total	128,597,579.05	100.00	584,228.07	0.45	128,013,350.98

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 2. Other receivables *(continued)*

##### (1) Breakdown *(continued)*

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

Name of entity	Book balance	Percentage		Reason for provision
		Bad-debt provision	of provision (%)	
Kuitun Water Saving	20,181,792.63			A related party, without credit losses after testing
Akesu Tianye	29,757,175.82			A related party, without credit losses after testing
Tiancheng Water Saving	35,612,064.55			A related party, without credit losses after testing
Liaoning Tianye	8,080,334.17			A related party, without credit losses after testing
Xiyu Water Conservancy	65,520.06			A related party, without credit losses after testing
Xiying Water Saving	8,352,591.76			A related party, without credit losses after testing
Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司)	10,000.00			A related party, without credit losses after testing
Sub-total	102,059,478.99			

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 2. Other receivables *(continued)*

##### (1) Breakdown *(continued)*

- 3) Other receivables for which bad-debt provision has been made using group provision method

Name	Closing balance		Percentage of provision (%)
	Book balance	Bad-debt provision	
Group of receivables from government authorities	6,070,823.75	605,705.94	9.98
Group of receivables from non-government authorities	1,162,139.27	339,562.54	29.22
Sub-total	7,232,963.02	945,268.48	13.07

##### (2) Aging profile

Aging	Closing book balance
Within 1 year	14,929,508.18
1-2 years	12,856,712.33
2-3 years	55,353,207.01
3-4 years	23,022,716.46
4-5 years	2,903,094.34
Over 5 years	227,203.69
Total	109,292,442.01

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 2. Other receivables *(continued)*

##### (3) Changes to bad-debt provision

Item	Phase 1 Next 12-month ECLs	Phase 2 Lifetime ECLs (without credit impairment)	Phase 3 Lifetime ECLs (with credit impairment)	Total
Opening balance	14,325.71	307,256.29	262,646.07	584,228.07
Opening balance for the current period	—	—	—	
— Transferred to Phase 2	-7,398.47	7,398.47		
— Transferred to Phase 3		-304,279.61	304,279.61	
— Written back from Phase 2				
— Written back from Phase 1				
Provision for the current period	10,066.43	26,617.22	324,356.76	361,040.41
Recovered for the current period				
Written back for the current period				
Written off for the current period				
Other changes				
Closing balance	16,993.67	36,992.37	891,282.44	945,268.48

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (I) Notes to items in the Balance Sheet of the Parent Company *(continued)*

##### 2. Other receivables *(continued)*

##### (4) Category of other receivables by nature

Nature	Closing book balance	Closing book balance of the previous year
Security deposits	6,659,798.69	6,064,643.19
Amounts due from subsidiaries and related parties	102,059,478.99	122,078,519.57
Provisional accounts receivables	573,164.33	454,416.29
Sub-total	109,292,442.01	128,597,579.05

##### (5) Top 5 other receivables

Name of entity	Nature	Book balance	Aging	Percentage in the balance of other receivables (%)	Bad-debt provision
Tiancheng Water-saving	Amounts due from subsidiaries and related party	35,612,064.55	Within 1 year, 1-2 years and 2-3 years	32.58	
Akesu Tianye	Amounts due from subsidiaries and related party	29,757,175.82	Within 1 year, 1-2 years, 2-3 years, 3-4 years and 4-5 years	27.23	
Kuitun Water Saving	Amounts due from subsidiaries and related party	20,181,792.63	Within 1 year, 1-2 years, 3-4 years and 4-5 years	18.47	
Xiyang Water Saving	Amounts due from subsidiaries and related party	8,352,591.76	Within 1 year and 1-2 years	7.64	
Liaoning Tianye	Amounts due from subsidiaries and related party	8,080,334.17	Within 1 year, 1-2 years and 2-3 years	7.39	
Sub-total		101,983,958.93		93.31	

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

##### (I) Notes to items in the Balance Sheet of the Parent Company (continued)

##### 3. Long-term equity investments

###### (1) Breakdown

Item	Closing balance			Closing balance of previous year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	204,276,076.00	37,076,127.29	167,199,948.71	198,391,526.00	18,569,040.73	179,822,485.27
Investments in associates	1,315,145.99		1,315,145.99	1,954,210.08		1,954,210.08
Total	205,591,221.99	37,076,127.29	168,515,094.70	200,345,736.08	18,569,040.73	181,776,695.35

###### (2) Investments in subsidiaries

Investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Provision for impairment Closing balance
Kuitun Water Saving						12,000,000.00
Akesu Tianye	40,000,000.00			40,000,000.00		
Tiancheng Water Saving	9,333,342.94		9,333,342.94		9,333,342.94	14,456,876.00
Gansu Tianye	61,414,950.00			61,414,950.00		
Liaoning Tianye	9,173,743.62		9,173,743.62		9,173,743.62	10,000,000.00
Zhongxinnong Water Saving	5,900,000.00			5,900,000.00		
Wisdom Agriculture	687,280.95	884,550.00		1,571,830.95		12,719.05
Nanjiang Water Saving	19,393,467.76			19,393,467.76		606,532.24
Xiyu Water Conservancy	9,798,300.00			9,798,300.00		
Xiying Water Saving	11,890,200.00			11,890,200.00		
Tianfu Ecological	7,650,000.00			7,650,000.00		
Hongrui Plastic Modern Agricultural	4,581,200.00	5,000,000.00		5,000,000.00		
Sub-total	179,822,485.27	5,884,550.00	18,507,086.56	167,199,948.71	18,507,086.56	37,076,127.29

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

##### (I) Notes to items in the Balance Sheet of the Parent Company (continued)

##### 3. Long-term equity investments (continued)

(3) Investments in associates and joint venture

Investee	Opening balance	Increase or decrease during the period		Investment profit and loss recognized with the equity method	Adjustment of other consolidated return
		Increase	Decrease		
Associates					
Jianshui Runnong Water Supply Co., Ltd.	1,954,210.08			-639,064.09	
Total	1,954,210.08			-639,064.09	

(continued from the previous table)

Investee	Other change to Equity	Increase or decrease during the period			Closing balance	Provision for impairment closing balance
		Cash dividends or profit distribution declared	Provision for impairment	Others		
Associates						
Jianshui Runnong Water Supply Co., Ltd.				1,315,145.99		
Total				1,315,145.99		



#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (II) Notes to items in the Statement of Income of the Parent Company

##### 1. Operating income/operating cost

###### (1) Breakdown

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Income from principal businesses	109,020,990.08	108,383,106.68	158,741,665.58	151,273,480.27
Income from other businesses	22,533,051.70	20,263,272.36	43,450,275.64	35,331,750.63
Total	131,554,041.78	128,646,379.04	202,191,941.22	186,605,230.90
Including: Revenue from contracts with customers	131,148,364.27	128,473,228.13	201,301,028.19	185,356,837.28

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

##### 1) Breakdown of revenue by types of goods or services

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Drip films, drip tape, and drip assembles	1,629,822.90	3,669,634.47	13,086,907.70	9,555,146.92
PVC pipes/PE pipes	72,253,496.24	71,972,515.79	106,966,543.51	106,168,986.26
Engineering income	35,137,670.94	32,740,956.42	38,688,214.37	35,549,347.09
Other income	22,127,374.19	20,090,121.45	42,559,362.61	34,083,357.01
Sub-total	131,148,364.27	128,473,228.13	201,301,028.19	185,356,837.28

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (II) Notes to items in the Statement of Income of the Parent Company *(continued)*

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

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

2) Breakdown of revenue by operating regions

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Domestic	131,148,364.27	128,473,228.13	201,301,028.19	185,356,837.28
Sub-total	131,148,364.27	128,473,228.13	201,301,028.19	185,356,837.28

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

Item	Current period	Corresponding period last year
Revenue recognized at a point in time	96,010,693.33	162,612,813.82
Revenue recognized over time	35,137,670.94	38,688,214.37
Sub-total	131,148,364.27	201,301,028.19

(3) Revenue included in the opening book value of contract liabilities recognized in the current period was RMB1,245,695.24.

#### XIV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

##### (II) Notes to items in the Statement of Income of the Parent Company *(continued)*

##### 2. Research and development expenses

Item	Current period	Corresponding period last year
Employee remuneration	586,914.53	1,128,110.78
Materials	2,615,710.23	1,103,963.35
Labour service fees	267,897.23	111,699.52
Technological development fees	622,328.68	1,044,961.47
Travel expenses	82,961.80	56,431.68
Testing and examination fees		161,154.90
Other expenses	530,484.50	528,241.47
Total	4,706,296.97	4,134,563.17

##### 3. Investment income

Item	Current period	Corresponding period last year
Return on long-term equity investment accounted with the equity method	-639,064.09	-644,860.83
Gain on disposal of certain equity investments in subsidiaries		-1,798,753.12
Investment income from liquidation of subsidiaries		-18,376.21
Total	-639,064.09	-2,461,990.16

## XV. OTHER SUPPLEMENTAL INFORMATION

### (I) Non-recurring profit and loss

#### Breakdown of non-recurring profit and loss

Item	Amount	Note
Profit and loss from disposal of non-current asset, include write-off portion of provision for asset impairment	863,853.14	
Unauthorized approval of, or with no official approval documents, or accidental tax rebate and exemption		
Government subsidies (other than those closely related to the Company's routine business, in line with national policies and regulation, continuously provided in accordance with certain standard quota or ration) included into the current profit or loss	6,343,867.22	
Payment for possession of fund acquired from non-financial businesses included in the current profit and loss		
Gains arising from the excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the investment costs for acquisition of the subsidiaries, associates and joint ventures		
Non-monetary asset exchange profit and loss		
Profit and loss from commissioned investment or asset management		
Provision for all assets impairment made for force majeure, such as natural disasters		
Profit and loss from debt restructuring		
Corporate restructuring cost, such as staffing expense and integration cost		
Profit and loss from the portion generated from transactions with unreasonable trading price in excess of fair value		
Net profit or loss of subsidiaries from business merger under common control from the beginning of the period to the date of merger		
Profit and loss from contingencies unrelated to normal business operation of the Company		

**XV. OTHER SUPPLEMENTAL INFORMATION** *(continued)***(I) Non-recurring profit and loss** *(continued)***Breakdown of non-recurring profit and loss** *(continued)*

<b>Item</b>	<b>Amount</b>	<b>Note</b>
In addition to effective hedging operations related to the Company's normal business, gains or losses from changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and returns on investment acquired from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments		
Reversal of provision for impairment of receivables and contract assets with impairment test performed separately	2,716,804.82	
Profit and loss from entrusted loan receivable		
Profit or loss from change in fair value of investment property using the fair value model for subsequent measurement		
Effect from one-time adjustment to the current profit or loss required by tax, accounting and other laws and regulations upon the current profit or loss		
Custodian fee income from entrusted operation		
Non-operating income and expenses other than the above items	3,693,888.13	
Other profit and loss items in line with the definition of non-recurring profits and losses	7,592.25	
Sub-total	13,626,005.56	
Less: Affected amount of EIT (decrease is denoted as "—")	137,282.19	
Affected amount of minority interest (after tax)	539,050.73	
Net non-recurring profit or loss attributable to owners of the Parent Company	12,949,672.64	

## XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

### (II) Rate of return on net assets and earnings per share

#### 1. Breakdown

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to the ordinary shareholders of the Company	-16.82	-0.15	-0.15
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	-19.60	-0.18	-0.18

**XV. OTHER SUPPLEMENTAL INFORMATION** *(continued)***(II) Rate of return on net assets and earnings per share** *(continued)***2. Calculation of weighted average return on net assets**

Item	No.	Current period
Net profits attributable to the ordinary shareholders of the Company	A	-78,176,019.58
Non-recurring profit or loss	B	12,949,672.64
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-91,125,692.22
Opening balance of net assets attributable to the ordinary shareholders of the Company	D	503,928,403.06
Net assets attributable to the ordinary shareholders of the Company arising from new shares issuance or conversion of debt to Shares	E	
Number of months accumulated from the month after the month of creation of additional net assets to the end of the reporting period	F	
Decrease in net assets attributable to the ordinary shareholders of the Company due to repurchase or cash dividend	G	
Number of months accumulated from the month after the month of reduction of net assets to the end of the reporting period	H	
Others Capital reserve arising from acquisition of minority interest in Wisdom Agricultural	I	258,306.58
Number of months accumulated from the month after the month of addition or reduction of net assets to the end of the reporting period	J	
Number of months during the reporting period	K	12.00
Weighted average net assets	L= $D+A/2+E \times F / K-G \times H / K \pm I \times J / K$	464,840,393.27
Weighted average return on net assets	M=A/L	-16.82%
Weighted average return on net assets after non-recurring profit or loss	N=C/L	-19.60%

## XV. OTHER SUPPLEMENTAL INFORMATION *(continued)*

### (II) Rate of return on net assets and earnings per share *(continued)*

#### 3. Calculation of basic earnings per share and diluted earnings per share

##### (1) Calculation of basic earnings per share

Item	No. Current period	
Net profits attributable to the ordinary shareholders of the Company	A	-78,176,019.58
Non-recurring profit or loss	B	12,949,672.64
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-91,125,692.22
Opening balance of total number of share	D	519,521,560.00
Number of shares increased due to capitalization of capital reserve or distribution of share dividends	E	
Number of shares increased due to new shares issuance or conversion of debt to Shares	F	
Number of months accumulated from the month after the month of creation of additional shares to the end of the reporting period	G	
Decrease in number of shares due to repurchase	H	
Number of months accumulated from the month after the month of reduction of shares to the end of the reporting period	I	
Share reduction during the reporting period	J	
Number of months during the reporting period	K	12
Weighted average number of outstanding ordinary shares	$L=D+E+F \times G / K-H \times I / K-J$	519,521,560.00
Basic earnings per share	M=A/L	-0.15
Basic earnings per share after non-recurring profit or loss	N=C/L	-0.18



## **XV. OTHER SUPPLEMENTAL INFORMATION** *(continued)*

### **(II) Rate of return on net assets and earnings per share** *(continued)*

#### **3. Calculation of basic earnings per share and diluted earnings per share**

##### *(2) Calculation of diluted earnings per share*

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

**Xinjiang Tianye Water Saving Irrigation System Company Limited**

30th March, 2023

# Five Years Financial Summary

For the year ended 31st December, 2022

The table below summarizes the audited results, assets and liabilities of the Group for the years ended 31st December, 2022, 2021, 2020, 2019 and 2018.

## RESULTS

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Turnover	<b>1,443,455</b>	1,111,618	706,558	624,288	536,157
Total comprehensive (loss)/income attributable to owners of the Parent Company	<b>(78,176)</b>	(66,836)	650	(47,948)	(47,637)

## ASSETS AND LIABILITIES

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	<b>1,029,410</b>	964,976	946,728	869,233	957,773
Total liabilities	<b>582,613</b>	435,885	365,006	300,868	341,195
Minority interest	<b>20,787</b>	25,163	11,418	9,075	9,340
Total equity attributable to owners of the Parent Company	<b>426,011</b>	503,928	570,304	559,289	607,238

# Property Interests held by the Group in the PRC

For the year ended 31st December, 2022

Location of Property	Lease term	Percentage of Interests attributable to the Group	Floor Area (sq.m.)	Use
1. A parcel of land and various buildings and structures erected thereon, District No. 81, Shihezi Economic and Technological Development Zone, Xinjiang Uygur Autonomous Region, the PRC	Long-term	100%	4,491.8	Commercial
2. Various buildings and structures located on 134 Tuan, Xiayedi Town Shihezi City, Xinjiang Uygur Autonomous Region, the PRC	Long-term	100%	4,255.3	Commercial
3. Various buildings and structures located on Zhijiang Avenue, Akesu Textile Industrial City (Development Zone), Xinjiang Uygur Autonomous Region, the PRC	Long-term	100%	12,472.7	Commercial