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

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

**(Stock Code: 840)**

**Audited Annual Results for the Year Ended 31st December, 2020**

**GROUP FINANCIAL SUMMARY**

- The operating income for the year ended 31st December, 2020 was approximately RMB706,588,000, an increase of approximately 13.18% from RMB624,288,000 for the year ended 31st December, 2019.
- The net profit attributable to the parent for the year ended 31st December, 2020 was approximately RMB650,000 (2019: net loss attributable to the parent of approximately RMB47,948,000).
- Basic and diluted earnings per share for the year was approximately RMB0.0013 (2019: loss of approximately RMB0.0926).

## RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2020, together with the comparative figures for the corresponding period in 2019 as follows. These audited annual financial statements have been reviewed by the audit committee of the Company.

### Consolidated Income Statement

For the year ended 31st December, 2020

Item	Notes	Current period RMB	Corresponding period last year RMB
<b>1. Total operating revenue</b>		<b>706,558,107.66</b>	624,288,061.94
Including: Operating income	5	<b>706,558,107.66</b>	624,288,061.94
<b>2. Total operating cost</b>		<b>714,525,897.64</b>	678,183,734.60
Including: Cost of sales	5	<b>607,058,788.42</b>	540,229,993.72
Business taxes and surcharges		<b>4,625,686.00</b>	4,034,696.18
Distribution costs	6	<b>40,017,384.51</b>	52,722,388.01
Administrative expenses	7	<b>42,604,834.15</b>	43,527,509.34
Research and development expenses		<b>9,836,633.72</b>	5,253,168.26
Finance costs	8	<b>1,770,963.04</b>	-836,803.26
Impairment loss	9	<b>8,703,354.87</b>	33,252,782.35
Add: Investment gain (loss is denoted as “-”)		<b>705,906.43</b>	-817,958.32
Gain on disposal of assets (loss is denoted as “-”)		<b>1,142,158.10</b>	-328,587.55
Other gains		<b>6,145,191.69</b>	5,502,314.69

**Consolidated Income Statement**  
*For the year ended 31st December, 2020*

Item	Notes	Current period RMB	Corresponding period last year RMB
<b>3. Operating profit (loss is denoted as “-”)</b>		<b>-66,280.83</b>	-49,539,903.84
Add: Non-operating income		<b>1,658,923.36</b>	2,576,582.20
Less: Non-operating expenses		<b>429,847.54</b>	706,183.77
<b>4. Total profit (loss is denoted as “-”)</b>		<b>1,162,794.79</b>	-47,669,505.41
Less: Income tax expenses	10	<b>-894,103.67</b>	543,653.54
<b>5. Net profit (loss is denoted as “-”)</b>		<b>2,056,898.66</b>	-48,213,158.95
(1) 1. Net profit from continuing operation (loss is denoted as “-”)		<b>2,056,898.66</b>	-48,213,158.95
2. Net profit from discontinued operation (loss is denoted as “-”)		<b>0</b>	0
(2) 1. Net profit attributable to owners of the parent company (loss is denoted as “-”)		<b>649,958.94</b>	-47,948,484.10
2. Minority interests		<b>1,406,939.72</b>	-264,674.85
<b>6. Earnings per share:</b>			
(1) Basic earnings per share (loss is denoted as “-”)	12	<b>0.0013</b>	-0.0926
(2) Diluted earnings per share (loss is denoted as “-”)	12	<b>0.0013</b>	-0.0926
<b>7. Other comprehensive income</b>		<b>0</b>	0
<b>8. Total comprehensive income (loss is denoted as “-”)</b>		<b>2,056,898.61</b>	-48,213,158.95
Total comprehensive income attributable to owners of the parent company (loss is denoted as “-”)		<b>649,958.94</b>	-47,948,484.10
Total comprehensive income attributable to minority interests		<b>1,406,939.72</b>	-264,674.85

## CONSOLIDATED BALANCE SHEET

As at 31st December, 2020

Item	Notes	Current period RMB	Corresponding period last year RMB
Current assets:			
Cash		116,336,169.81	63,242,448.73
Trade and bill receivables	13	177,902,709.76	198,433,332.17
Prepayments		19,959,829.99	12,835,641.05
Other receivables		28,552,746.06	23,119,600.39
Inventories		391,769,140.01	368,481,208.36
Other current assets		6,919,181.64	4,394,124.42
Total current assets		<u>741,439,777.27</u>	<u>670,506,355.12</u>
Non-current assets:			
Long term equity investment	14	2,599,070.91	7,585,586.14
Fixed assets		145,539,740.02	141,906,357.63
Construction in progress		2,523,829.96	14,968,683.01
Producing bio-assets	15	20,613,190.14	8,809,551.08
Intangible assets		15,387,658.80	16,699,683.28
Development expenses		8,144,298.63	—
Long-term deferred expenses		6,875,682.32	7,261,022.23
Deferred income tax assets	16	3,486,341.75	1,203,866.95
Other non-current assets		118,775.00	291,703.20
Total non-current assets		<u>205,288,587.53</u>	<u>198,726,453.52</u>
Total assets		<u><u>946,728,364.80</u></u>	<u><u>869,232,808.64</u></u>

## CONSOLIDATED BALANCE SHEET

As at 31st December, 2020

Item	Notes	Current period RMB	Corresponding period last year RMB
Current liabilities:			
Short-term borrowings		53,058,569.44	30,000,000.00
Trade and bill payables	17	224,299,378.73	196,117,145.12
Contract liabilities		37,016,460.33	33,278,348.10
Employee remuneration payables		8,376,366.66	8,314,311.94
Tax and levy payables	18	2,152,718.27	5,043,594.52
Other payables		26,203,466.74	17,932,391.35
Other current liabilities		3,096,841.42	2,601,842.95
Total current liabilities		<u>354,203,801.59</u>	<u>293,287,633.98</u>
Non-current liabilities:			
Deferred income		<u>10,802,414.38</u>	<u>7,580,656.25</u>
Total non-current liabilities		<u>10,802,414.38</u>	<u>7,580,656.25</u>
Total liabilities		<u>365,006,215.97</u>	<u>300,868,290.23</u>
Equity of owners:			
Share capital		519,521,560.00	519,521,560.00
Capital reserve		25,737,140.18	15,372,472.17
Surplus reserves		34,724,097.27	34,724,097.27
Undistributed profit (loss is denoted as “-”)		<u>-9,679,091.17</u>	<u>-10,329,050.11</u>
Total equity attributable to owners of the parent company		<u>570,303,706.28</u>	<u>559,289,079.33</u>
Minority interests		<u>11,418,441.55</u>	<u>9,075,439.08</u>
Total equity of owners		<u>581,722,148.83</u>	<u>568,364,518.41</u>
Total liabilities and equity of owners		<u><u>946,728,364.80</u></u>	<u><u>869,232,808.64</u></u>

## NOTES TO FINANCIAL STATEMENTS

*For the year ended 31st December, 2020*

*Expressed in RMB*

### 1. CORPORATE BACKGROUND

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

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

These financial statements had been approved by the 19th meeting of the sixth session of the Board on 29th March, 2021 for publication.

The Company included 13 subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd (hereinafter referred to as “Gansu Tianye”), Gansu Tianye Water Conservancy and Hydropower Company Limited\* (hereinafter referred to as “Gansu Tianye Water Conservancy and Hydropower”), Hami Tianye Hongxing Water Saving Irrigation Co., Ltd\* (hereinafter referred to as “Hami Tianye”), Kuitun Tiantun Water Saving Co., Ltd\* (hereinafter referred to as “Kuitun Water Saving”), Akesu Tianye Water Saving Co., Ltd\* (hereinafter referred to as “Akesu Tianye”), Shihezi Tiancheng Water Saving Device Co., Ltd (hereinafter referred to as “Tiancheng Water Saving”), Liaoning Tianye Water Saving Irrigation Co., Ltd\* (hereinafter referred to as “Liaoning Tianye”), Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd\* (hereinafter referred to as “Nanjiang Water Saving”), Zhongxinnong Modern Water Saving Technology Company Limited\* (hereinafter referred to as “Zhongxinnong Water Saving”), Xinjiang Tianye Wisdom Agriculture Technology Company Limited\* (hereinafter referred to as “Wisdom Agriculture”), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.\* (hereinafter referred to as “Xiyu Water Conservancy”), and Shihezi Tianye Xiying Water Saving Device Co., Ltd.\* (hereinafter referred to as “Xiying Water Saving”) into the consolidated financial statements for the period. For details, please refer to the change in the scope of consolidation and information on interests in other entities as set forth in the notes to these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

*For the year ended 31st December, 2020*

### **2. BASIS OF PREPARATION FOR THESE FINANCIAL STATEMENTS**

#### **2.1 Basis of preparation**

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

#### **2.2 Abilities to continue as a going concern**

No subsisting event or circumstance would cast material doubts to the going concern assumption of the Company for the 12 months from the end of the reporting period.

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

Important notice: The Company formulated specific accounting policies and accounting estimates in respect of transactions or issues such as impairment of financial instrument, fixed asset depreciation, depreciation of right-of-use assets, intangible assets amortization and revenue recognition based on the practical situation of production and operation.

#### **3.1 Statement of compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company are in accordance with the Accounting Standards for Business Enterprises, and truly and completely present the financial position, the results of operations and cash flows of the Company.

#### **3.2 Accounting Period**

The accounting year starts on 1st January and ends on 31st December.

#### **3.3 Operating cycle**

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

#### **3.4 Reporting currency**

Renminbi is being adopted as the functional currency.

## NOTES TO FINANCIAL STATEMENTS

*For the year ended 31st December, 2020*

### 3. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

#### 3.5 The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

##### 1. *The accounting treatment of business combinations involving enterprises under common control*

The assets and liabilities acquired by our company during business combination shall be measured according to the book value of the assets and liabilities of the merged party, including the final controlling party's acquisition of the merged party, in the consolidated financial statements of the final controlling party. The difference between the net assets book value acquired in the merger and the book value of the combined consideration value or the total value of the issued shares should be adjusted by the equity premium in the capital surplus, if it is not enough, adjust retained earnings.

##### 2. *The accounting treatment of business combinations not involving enterprises under common control*

The excess of the consideration paid for business combination over the share of the attributable net identifiable assets of the acquiree, measured at fair value at the combination date, was recognised as goodwill. In case the fair value of the consideration paid is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree and the consideration paid for the combination is conducted. If the review indicates that the fair value of the consideration paid is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognised in current profit or loss.

#### 3.6 Preparation basis of consolidated financial statements

The Company includes all subsidiaries under its control in the consolidation scope for 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.

#### 3.7 Significant accounting judgement 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 in the period in which the estimate is revised and in any future periods affected.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 4. TAXATION

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

Name of taxpayer	Income tax rate (%)
Xinjiang Tianye Water Saving Irrigation System Company Limited, Gansu Tianye Water Saving Co., Ltd* (“ <b>Gansu Tianye</b> ”) (甘肅天業節水有限公司), Akesu Tianye Water Saving Co., Ltd* (“ <b>Akesu Tianye</b> ”) (阿克蘇天業節水有限公司), Shihezi Tiancheng Water Saving Device Co., Ltd* (“ <b>Tiancheng Water Saving</b> ”) (石河子市天誠節水器材有限公司)	15
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (“ <b>Hami Tianye</b> ”) (哈密天業紅星節水灌溉有限責任公司) Kuitun Tiantun Water Saving Co., Ltd* (“ <b>Kuitun Water Saving</b> ”) (奎屯天屯節水有限責任公司), Liaoning Tianye Water Saving Irrigation Co., Ltd* (“ <b>Liaoning Tianye</b> ”) (遼寧天業節水灌溉有限公司), Shihezi Tianye Xiyong Water Saving Device Co., Ltd.* (“ <b>Xiyong Water Saving</b> ”) (石河子市天業西營節水器材有限責任公司), Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.* (“ <b>Xiyu Water Conservancy</b> ”) (石河子西域水利水電建築安裝工程有限責任公司), Zhongxinnong Modern Water Saving Technology Company Limited* (“ <b>Zhongxinnong Water Saving</b> ”) (中新農現代節水科技有限公司), Gansu Tianye Water Conservancy and Hydropower Company Limited* (“ <b>Gansu Tianye Water Conservancy and Hydropower</b> ”) (甘肅天業水利水電工程有限公司)	20
Other taxpayers other than the above-mentioned	25

#### Enterprise income tax (“EIT”)

- (1) The Company and its subsidiaries, Gansu Tianye and Akesu Tianye were subjected to an EIT tax rate of 15% in 2020 as they complied with the requirements of the tax concession policies of the Western Development.
- (2) The production operation of agricultural plastic belts for drip irrigation engaged by Tiancheng Water Saving, a subsidiary, conforms to order No. 9 of the National Development and Reform Commission. Pursuant to the Notice of Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the Tax Policy for In-depth Implementation of the Western Development Strategy, it is subjected to an EIT tax rate of 15% during 1st January, 2011 to 31st December, 2020.
- (3) The Subsidiaries (including Hami Tianye, Kuitun Water Saving, Liaoning Tianye, Xiyong Water Saving, Xiyu Water Conservancy and Zhongxinnong Water Saving) and the sub-subsidiary, Gansu Tianye Water Conservancy and Hydropower, are a qualified small low-profit enterprise, the taxable income of which will be 25% of the total income before being subjected to an EIT tax rate of 20%.
- (4) Nanjiang Water Saving, a subsidiary, meets the conditions stipulated in the Notice of the Ministry of Finance and the State Administration of Taxation on Income Tax Incentives for Newly-established Enterprises in Poverty Areas of Xinjiang, the taxable amount of which is calculated at the statutory tax rate of 25% of corporate income tax is reduced by half from 1st January, 2018 to 31st December, 2020.
- (5) Wisdom Agriculture, a subsidiary, meets the requirements of Rule 88 of the Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China, is entitled to exemption of EIT from the first year to the third year from 2017 and a half reduction from the fourth to sixth year for its income from the projects of environmental protection and energy and water saving.

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 5. OPERATING INCOME/COST OF SALES

#### (1) Breakdown

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Principal businesses	674,510,139.61	575,723,489.78	604,285,027.22	526,180,586.75
Other businesses	32,047,968.05	31,335,298.64	20,003,034.72	14,049,406.7
Total	<u>706,558,107.66</u>	<u>607,058,788.42</u>	<u>624,288,061.94</u>	<u>540,229,993.72</u>

#### (2) Operating income/operating cost from principal businesses (by product)

Product Breakdown	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Drip tape and drip assemblies	168,462,106.95	147,969,390.46	135,089,310.99	133,415,771.79
PVC pipes/PE pipes	343,484,392.98	281,104,072.99	391,561,540.84	319,740,909.87
Project income	162,563,639.68	146,650,026.33	77,634,175.39	73,023,905.09
Sub-total	<u>674,510,139.61</u>	<u>575,723,489.78</u>	<u>604,285,027.22</u>	<u>526,180,586.75</u>

#### (3) Operating income from principal businesses (by region)

Name of region	Current period	Corresponding period last year
	Xinjiang	552,807,544.22
PRC excluding Xinjiang	121,702,595.39	168,554,596.89
Sub-total	<u>674,510,139.61</u>	<u>604,285,027.22</u>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 6. DISTRIBUTION COSTS

Item	Current period	Corresponding period last year
Salaries, benefits and social security contributions	14,720,736.12	13,961,847.35
Transportation costs	9,636,223.10	12,109,841.89
Sale service fee	4,836,292.81	9,473,931.86
Materials consumptions	2,987,612.35	1,365,818.59
Handling charges	2,104,815.46	2,661,148.63
Travel expenses	1,041,530.49	2,777,265.90
Rental expenses	889,605.22	1,038,692.63
Depreciation and amortization charge	819,340.02	1,050,916.35
Tender fee	578,952.90	4,419,947.33
Advertising fee	240,005.57	616,609.19
Warehousing and storage fees	157,597.67	355,113.46
Others	2,004,672.80	2,891,254.83
Total	<u>40,017,384.51</u>	<u>52,722,388.01</u>

### 7. ADMINISTRATIVE EXPENSES

#### (1) Breakdown

Item	Current period	Restated Corresponding period last year
Salaries, benefits and social security contributions	22,973,922.97	22,894,194.74
Losses from work suspension	2,500,460.18	3,051,411.66
Depreciation and amortization charge	4,514,782.08	3,617,038.17
Agency service fees	3,687,747.91	3,869,309.06
Travel expenses	1,200,677.70	1,410,722.92
Car expenses	349,195.01	505,827.78
Lease fees	717,204.67	811,114.62
Others	6,660,843.63	7,367,890.39
Total	<u>42,604,834.13</u>	<u>43,527,509.34</u>

(2) Included in the administrative expenses for the year was RMB0.70 million of auditor's remuneration (2019: RMB0.625 million).

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 8. FINANCE COSTS

Item	Current period	Corresponding period last year
Interest expenses	2,605,397.98	1,154,925.00
Interest of other loans not fully repayable within 5 years		
Less: Interest income	992,198.55	2,177,886.19
Add: Exchange gain	1,559.45	217.49
Add: Commission and other expenses	156,204.16	185,940.44
Total	<u>1,770,963.04</u>	<u>-836,803.26</u>

### 9. ASSETS IMPAIRMENT LOSS

Item	Current period	Corresponding period last year
Bad debt loss	4,255,589.12	8,111,638.87
Inventory impairment	3,869,949.98	25,141,143.48
Impairment loss on fixed assets	577,815.77	0
Total	<u>8,703,354.87</u>	<u>33,252,782.35</u>

### 10. INCOME TAX EXPENSES

#### (1) Breakdown

Item	Current period	Corresponding period last year
Current income tax charges	1,388,371.13	665,916.26
Deferred income tax charges	-2,282,474.80	-122,262.72
Total	<u>-894,103.67</u>	<u>543,653.54</u>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 10. INCOME TAX EXPENSES (Continued)

#### (2) Reconciliation between accounting profit and income tax expenses

Item	Current period	Corresponding period last year
Total profits	1,162,794.99	-47,669,505.41
EIT charges at the tax rate of 15% applicable to the parent company	174,419.24	-7,150,425.81
Effect of different tax rates applicable to subsidiaries (5% and 10%)	-194,454.53	904,532.90
Effect of prior period income tax adjustment	-7,470.47	341,354.27
Tax effect of expenses not deductible	731,910.06	12,570.45
Effect of deductible temporary differences that have not recognized for deferred income tax asset during the prior period	-3,155,641.80	-118,426.73
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax asset during the period ( <i>Note</i> )	2,626,682.22	6,554,048.46
Tax effect of super deduction of research and development expenses	<u>-1,069,548.39</u>	<u>—</u>
Total	<u><u>-894,103.67</u></u>	<u><u>543,653.54</u></u>

*Note:* The impact of deferred income tax assets is unrecognized for deductible temporary differences mainly because the subsidiaries suffering losses for the period are unsure whether sufficient taxable profit will be available.

#### (3) No profits tax in Hong Kong was levied because the Company and its subsidiaries did not generate profits in Hong Kong or gain profits from Hong Kong in 2020 and 2019.

### 11. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2020 (2019: Nil).

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 12. 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	649,958.94
Non-recurring profit or loss	B	8,464,265.70
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-7,814,306.76
Open balance of total number of share	D	519,521,560
Number of shares increased due to capitalization of capital reserve or distribution of shares and dividend	E	
Number of shares increased due to new shares issuance or conversion of debt to capital	F	
Number of months accumulated from the month after 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 reduction of shares to the end of the reporting period	I	
Share reduction during the period	J	
Number of months during the 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
Basic earnings per share	$M=A/L$	0.0013
Basic earnings per share after non-recurring profit or loss	$N=C/L$	-0.0150

#### (2) Calculation of diluted earnings per share

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

### 13. TRADE RECEIVABLES AND BILL RECEIVABLES

#### (1) Aging analysis

Age	Closing balance	Opening balance
Within 1 year	<b>69,437,511.59</b>	120,459,757.89
1-2 years	<b>60,029,425.03</b>	66,016,432.98
2-3 years	<b>54,605,098.65</b>	15,672,820.08
3-4 years	<b>8,761,264.98</b>	10,410,550.28
4-5 years	<b>6,823,416.93</b>	4,878,208.37
Over 5 years	<b>19,815,017.19</b>	19,421,664.92
Total	<b><u>219,471,734.37</u></b>	<b><u>236,859,434.52</u></b>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 13. TRADE RECEIVABLES AND BILL RECEIVABLES (Continued)

#### (2) Breakdown by category

Category	Book balance		Closing balance Bad-debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	14,249,691.78	6.49	13,396,292.78	94.01	853,399.00
Bad debt provision made in portfolio as per credit risk features	4,800,000.00	2.19	0	0.00	4,800,000.00
Bad debt provision made in portfolio	<u>200,422,042.59</u>	<u>91.32</u>	<u>28,172,731.83</u>	<u>14.06</u>	<u>172,249,310.76</u>
Total	<u><u>219,471,734.37</u></u>	<u><u>100.00</u></u>	<u><u>41,569,024.61</u></u>	<u><u>19.36</u></u>	<u><u>177,902,709.76</u></u>

  

Category	Book balance		Opening balance Bad-debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	15,058,288.45	6.36	14,534,478.93	96.52	523,809.52
Bad debt provision made in portfolio as per credit risk features	2,923,450.00	1.23	0	0	2,923,450.00
Bad debt provision made in portfolio	<u>218,877,696.07</u>	<u>92.41</u>	<u>23,891,623.42</u>	<u>10.92</u>	<u>194,986,072.65</u>
Total	<u><u>236,859,434.52</u></u>	<u><u>100.00</u></u>	<u><u>38,426,102.35</u></u>	<u><u>16.22</u></u>	<u><u>198,433,332.17</u></u>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 14. LONG-TERM EQUITY INVESTMENTS

Item	Book balance	Closing balance		Book balance	Opening balance	
		Provision for impairment	Carrying amount		Provision for impairment	Carrying amount
Investments in associates	<u>2,599,070.91</u>	<u>0</u>	<u>2,599,070.91</u>	7,585,586.14	<u>0</u>	<u>7,585,586.14</u>
Total	<u>2,599,070.91</u>	<u>0</u>	<u>2,599,070.91</u>	<u>7,585,586.14</u>	<u>0</u>	<u>7,585,586.14</u>

### 15. PRODUCING BIO-ASSETS

#### (1) Breakdown

Item	Planting Immature	Total
Initial carrying amount		
Opening balance	8,809,551.08	8,809,551.08
Increase during the period	11,803,639.06	11,803,639.06
1) Additions	11,803,639.06	11,803,639.06
Decrease during the period		
1) Disposal		
Closing balance	20,613,190.14	20,613,190.14
Accumulated depreciation		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Provision for impairment		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Carrying amount		
Carrying amount at the end of the period	<u>20,613,190.14</u>	<u>20,613,190.14</u>
Carrying amount at the beginning of the period	<u>8,809,551.08</u>	<u>8,809,551.08</u>

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2020

### 16. DEFERRED INCOME TAX ASSETS

#### Deferred income tax assets un-eliminated

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	<u>16,638,259.36</u>	<u>2,668,991.02</u>	<u>8,489,749.86</u>	<u>1,203,866.95</u>
Deductible losses	4,086,753.64	817,350.73		
Total	<u>20,725,013.00</u>	<u>3,486,341.25</u>	<u>8,489,749.86</u>	<u>1,203,866.95</u>

### 17. TRADE PAYABLES

#### Aging analysis

Age	Closing balance	Opening balance
Within 1 year	156,015,767.79	105,564,152.33
1–2 years	11,653,110.30	34,224,041.81
2–3 years	40,552,615.51	46,813,103.25
Over 3 years	<u>16,077,885.13</u>	<u>9,515,847.73</u>
Total	<u>224,299,378.73</u>	<u>196,117,145.12</u>

### 18. TAX AND LEVY PAYABLES

Item	Closing balance	Opening balance
EIT	1,033,093.06	114,937.04
VAT	680,163.97	3,847,476.71
Individual income tax withheld	160,726.48	488,273.68
Stamp duty	148,144.21	43,914.18
City maintenance and construction tax	44,007.35	282,892.84
Education surcharge	19,089.25	124,570.55
Local education surcharge	19,034.18	83,047.03
Land use tax	36,000	—
Environmental protection tax	12,459.77	21,763.85
Property tax	0	35,998.64
Vehicle and vessel tax	0	<u>720.00</u>
Total	<u>2,152,718.27</u>	<u>5,043,594.52</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS OF OPERATIONS

#### Operating income

For the year ended 31st December, 2020, operating income of the Group was approximately RMB706,588,000, representing an increase of approximately 13.18% from approximately RMB624,288,000 for the year ended 31st December, 2019.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2020 and 31st December, 2019 by products:

Category	For the year ended 31st December, 2020		For the year ended 31st December, 2019		Year-on- year percentage change %
	Operating income RMB'000	% to total Operating income %	Operating income RMB'000	% to total Operating income %	
Drip tape and drip assemblies	<b>168,462</b>	<b>23.84</b>	135,089	21.64	<b>24.70</b>
PVC/PE pipelines	<b>343,484</b>	<b>48.61</b>	391,562	62.72	<b>-12.28</b>
Provision of installation services	<b>162,564</b>	<b>23.01</b>	77,634	12.44	<b>109.40</b>
Other operating income	<b>32,048</b>	<b>4.54</b>	20,003	3.20	<b>60.22</b>
Total	<b><u>706,558</u></b>	<b><u>100.00</u></b>	<b><u>624,288</u></b>	<b><u>100.00</u></b>	<b><u>13.18</u></b>

For the year ended 31st December, 2020, sales of drip tape and drip assemblies increased by approximately 24.70% to approximately RMB168,462,000, while sales of PVC/PE pipelines decreased by approximately 12.28% to approximately RMB343,484,000. At the same time, the sales volume of drip tape and drip assemblies decreased from approximately 10,837 tonnes for the year ended 31st December, 2019 to approximately 8,562 tonnes for the year ended 31st December, 2020, while the sales volume of PVC/PE pipelines decreased from approximately 39,141 tonnes for the year ended 31st December, 2019 to approximately 38,205 tonnes for the year ended 31st December, 2020. The increase in operating income was mainly attributable to the increase in selling price of products of the Company and the significant growth of engineering income in 2020.

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

Gross profit and gross profit margin increased from approximately RMB84,058,000 and 13.46% for the year ended 31st December, 2019 to approximately RMB99,499,000 and 14.08% for the year ended 31st December, 2020, respectively, mainly attributable to an increase in the selling price due to growing market demands and the increase of engineering income.

## **Cost of sales**

For the year ended 31st December, 2020, cost of sales of the Group was approximately RMB607,059,000, representing an increase of approximately 12.37% from approximately RMB540,230,000 for the year ended 31st December, 2019. Costs of sales for the year ended 31st December, 2020 comprised direct materials costs of approximately RMB489,423,000, direct labour costs of approximately RMB58,660,000 and production overhead of approximately RMB58,976,000, which accounted for approximately 80.62%, 9.66% and 9.72%, respectively, of the total costs of sales for year 2020. Costs of sales for the year ended 31st December, 2019 comprised direct materials costs of approximately RMB448,507,000, direct labour costs of approximately RMB43,486,000 and production overhead of approximately RMB48,237,000, which accounted for approximately 83.02%, 8.05% and 8.93%, respectively, of the total costs of sales for year 2019.

## **Distribution costs**

Distribution costs were approximately RMB40,017,000 for the year ended 31st December, 2020, representing a decrease of approximately 24.10% from 2019. The amount accounted for approximately 5.66% of the total operating income for the year ended 31st December, 2020, which was 2.79% lower than its share of total operating income of approximately 8.45% in the previous year. Distribution costs mainly comprised transportation costs, salaries expenses, sales service fee, warehousing and storage fee etc. For the year ended 31st December, 2020, transportation costs decreased by 20.43% to approximately RMB9,636,000, while sales service fee decreased by 48.95% to approximately RMB4,836,000, which was mainly due to the decrease in sales volume of the Company's products.

### **Administrative expenses**

Administrative expenses decreased slightly by approximately 2.12% to approximately RMB42,605,000 for the year ended 31st December, 2020. The amount accounted for approximately 6.03% of total operating income for the year ended 31st December, 2020, which was slightly lower than its share of total operating income of approximately 6.97% in the previous year. For the year ended 31 December, 2020, salaries benefits fees and depreciation and amortization charges increased to approximately RMB22,974,000 and RMB4,515,000, representing an increase of approximately 0.35% and 24.82%, respectively. Loss from work suspension decreased approximately 18.06% to approximately RMB2,500,000 while agency service fees and other fees increased to approximately RMB3,688,000 and decreased to approximately RMB6,661,000 representing an decrease of approximately 5% and a decrease of approximately 10%, respectively, which was mainly due to the decrease of travel expenses, losses from work suspension and other expenses.

### **Finance income/costs**

Finance costs for the year ended 31st December, 2020 was approximately RMB1,771,000, consisting mainly of interest expense and commission charges, net of interest income, while finance income for the year ended 31st December, 2019 was approximately RMB837,000, consisting mainly of interest income, net of interest expenses and commission charges.

### **Assets impairment loss**

The assets impairment loss for the years ended 31st December, 2020 was approximately RMB8,703,000, which mainly consisted of inventory impairment loss of approximately RMB3,870,000, impairment allowance for fixed assets of approximately RMB577,000, and bad debt loss of approximately RMB4,256,000, while assets impairment loss for the years ended 31st December, 2019 was approximately RMB33,253,000, which mainly consisted of inventory impairment loss of approximately RMB25,141,000, and bad debt loss of approximately RMB8,112,000.

### **Total profit/loss**

As a result of the factors discussed above, the Group's audited total profit for the year ended 31st December, 2020 was approximately RMB1,163,000 while the total loss for the corresponding period in the previous year was approximately RMB47,670,000. The Group's total profit accounted for approximately 0.16% of its turnover for the year ended 31st December, 2020 and the total loss accounted for approximately 7.64% of its turnover for the corresponding period in the previous year.

## **Net profit/loss attributable to owners of the parent company**

As a result of the factors discussed above, the net loss attributable to owners of the parent company increased from net loss of approximately RMB47,948,000 for the year ended 31st December, 2019 to net profit of approximately RMB650,000 for the year ended 31st December, 2020. For the two years ended 31st December, 2020 and 2019, the Group's net profit/loss margins were approximately 0.30% and -7.68%, respectively.

## **FUTURE PROSPECTS**

Agriculture serves as an engine to power the economy of the country and a major water consumer across the country, but traditional and backward irrigation techniques have for a long time been used due to various factors, including way of thinking, capital, and technologies, thereby resulting in a great waste of human and material resources. In line with the gradual promotion of water saving irrigation equipment across a vast area of villages in China, such equipment has become a mainstream player in the modern agriculture in society.

According to the general requirements for water-saving agriculture under the National Agricultural Water Saving Outline, it is proposed that the development of water-saving agriculture should be aimed to improve and safeguard the livelihood with the goal of enhancing the comprehensive productivity, while centering on highly efficient utilization of water resources. To this end, water resources shall be under stringent management with agricultural production patterns optimized, water consumption reformed, and water-saving mechanisms improved. Furthermore, more efforts shall be made to strengthen the comprehensive water-saving measures and technical support, innovate the management system for water-saving engineering projects, and improve the basic water conservancy services and technological promotion systems. Only when water resources become sustainable for use will the sustainability of agriculture, economy, and society be guaranteed. In accordance with the general requirements of the Notice on Assigning Farmland Construction Tasks in 2021 issued by the Ministry of Agriculture and Rural Affairs, national food security as the bottom line shall be safeguarded, tremendous efforts shall be made to carry out high-standard farmland construction projects, and the weak links of farmland infrastructure shall be resolved expeditiously, so that the grain production capacity will be enhanced. In 2021, the PRC plans to further develop 100 million mu of high-standard farmland, and coordinates the development of highly efficient water-saving irrigation land area of 15 million mu. The high-standard farmland projects shall be strategically optimized across various areas to prioritize the implementation of permanent basic farmland and the "functional and protected areas", while efforts are concentrated on accelerating the construction of high-standard farmland in functional areas for wheat and grain production, so that the absolute security of staple food is enhanced. At the same time, the government shall double down its efforts to support the construction of high-standard farmland by issuing bonds, while pursuing various approaches, including the "construction before subsidies", "reward in substitution of subsidies", and "public-private partnership" models, to effectively leverage financial

capital and social capital investments. Furthermore, every possibility shall be exhausted to ensure the funding requirements of the high-standard farmland construction in 2021 so that its quality and benefits will be improved significantly. The tremendous market capacity and broad market prospect will bring good development opportunities to the Company's fast development. The Company will continue to look forward to the future to meet new opportunities and challenges, and hold on well at the current situation to lay a good foundation for the future development of the Company.

### **Development Plan for 2021:**

By closely seizing the opportunities arising from the increasingly deepened reforms of state capital and state-owned enterprises, the Company pursues the development strategy focused on the business operations featuring “product, engineering, agricultural services, and trade”, while expanding and strengthening our profit-oriented and advantageous product line. In the meantime, we will vigorously explore the engineering business in the Southern area of Xinjiang and inland areas to strategically establish our operation of agricultural services across the country, and proactively promote the development of the incremental trade business. In close pursuit of the 14th five-year strategic development and planning goals, the Company considers the market expansion as the major driver and the strategic implementation as the lead, and adopt the measures of making structural adjustment and concentrating benefits to achieve our stable development, and enhance our overall strengths and competitiveness, thereby improving our overall operating capacity.

## **INDEBTEDNESS**

### **Borrowings**

As at 31st December, 2020, the Group had outstanding bank loans of RMB53,059,000 (2019: RMB30,000,000).

### **Commitments**

As at 31st December, 2020, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB820,000 (2019: RMB1,518,000).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Liquidity ratios**

The current ratio and quick ratio of the Group as at 31st December, 2020 were approximately 2.09 and 0.93, respectively, representing a slight decrease of 0.2 in current ratio and a slight decrease of 0.1 in quick ratio when compared to those as at 31st December, 2019.

## **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, 2020, 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 RMB1,203,000 (2019: approximately RMB1,452,000), which were in line with the expansion plans of the Group.

## **Capital structure**

For the year ended 31st December, 2020, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 9.31% (2019: 5.28%). This was primarily due to the fact that the Group's bank loan amounted to RMB53.06 million in 2020 and RMB30 million in 2019. 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, 2020.

## **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, 2020, the Group had no contingent liabilities (2019: Nil).

## **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 2019 and 2020.

## **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, 2020, the Group had 528 employees (2019: 530) 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 RMB8,381,000 for the year ended 31st December, 2020.

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

For the year ended 31st December, 2020, the Company disposed of 11.63% equity interest in Xinjiang Tianye Ecological Technology Company Limited\* ("Tianye Ecological Technology") (新疆天業生態科技有限公司). On 22nd June, 2020, the Company entered into the equity transfer agreement with Xinjiang Tianye (Group) Limited ("Tianye Holdings"), pursuant to which the Company has agreed to transfer its entire equity interest in Tianye Ecological Technology to Tianye Holdings. Upon the completion of the disposal, the Company will cease to have any equity interest in Tianye Ecological Technology.

Save as the above, for the year ended 31st December, 2020, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

## MATERIAL INVESTMENTS

For the year ended 31st December, 2020, the Company and Fuxin Ecological Environment Construction Investment (Group) Co., Ltd.\* (“Fuxin Ecological Environment”) (阜新市生態環境建設投資(集團)有限公司) established the joint venture, namely Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd. (“Liaoning Tianfu Ecological”) (遼寧天阜生態農業發展集團有限公司).

On 1st December, 2020, the Company and Fuxin Ecological Environment entered into the investment agreement, pursuant to which the parties have agreed to establish the joint venture, namely Liaoning Tianfu Ecological, for the collaboration on the high-standard farmland. The registered capital of Liaoning Tianfu Ecological is RMB50,000,000 and the subscribed capital contribution will be settled by installments by 31st December, 2040. The Company has made a total capital contribution of RMB25,500,000, representing 51% of the registered capital of the joint venture. Upon its establishment, the joint venture’s financial results was consolidated in the consolidated financial statements of the Company as the Company had beneficial control over it.

Save as the above, for the year ended 31st December, 2020, the Group had no material investments.

## DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2020 (2019: Nil).

## CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to the improvement in its accountability and transparency of the Group and, thus, further instill confidence of its shareholders and the public. Throughout the financial year ended 31st December, 2020, 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**”).

## **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, except as described below, they have complied with the required standards under the Model Code for the year ended 31st December, 2020.

Pursuant to Code Provision I(f), the Company shall have sufficient number of independent non-executive directors with accounting or related financial management expertise.

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

For the year ended 31st December, 2020, the Directors are not aware of any business or interest of the Directors, the Supervisors, the management shareholders and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

## **PRE-EMPTIVE RIGHTS**

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31st December, 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company reviewed the Group’s consolidated annual result for the year ended 31st December, 2020, 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, 2020 with the management.

## **AUDITORS**

The Company has appointed Pan China Certified Public Accountants LLP as the auditor of the Company and to audit the financial statements for the year ended 31st December, 2020.

## THE ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2020 will be despatched to the shareholders of the Company and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tianyejieshui.com.cn>) in due course.

## APPRECIATION

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

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

Xinjiang, the PRC, 29 March 2021

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Lin (Chairman), Mr. Huang Dong and Mr. Tan Xinmin, and four independent non-executive Directors, namely Mr. Yin Feihu, Mr. Qin Ming, Ms. Gu Li and Mr. Hung Ee Tek.*

\* *For identification purpose only*