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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, 2021

GROUP FINANCIAL SUMMARY

- The operating income for the year ended 31st December, 2021 was approximately RMB1,111,618,000, an increase of approximately 57.32% from RMB706,588,000 for the year of 2020.
- The net loss attributable to the parent for the year ended 31st December, 2021 was approximately RMB66,836,000 (2020: net profit attributable to the parent of approximately RMB650,000).
- Basic and diluted loss per share for the year was approximately RMB0.13 (2020: earnings of approximately RMB0.0013).

RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2021, together with the comparative figures for the corresponding period in 2020 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, 2021

Item	Notes	Current period RMB	Corresponding period last year RMB
1. Total operating revenue		1,111,618,028.66	706,558,107.66
Including: Operating income	5	1,111,618,028.66	706,558,107.66
2. Total operating cost		1,131,998,500.66	705,914,289.84
Including: Cost of sales	5	1,042,365,231.80	607,058,788.42
Business taxes and surcharges		4,300,107.97	4,625,686.00
Distribution costs	6	26,716,577.81	40,017,384.51
Administrative expenses	7	47,455,130.76	42,604,834.15
Research and development expenses		7,707,953.62	9,836,633.72
Finance costs	8	3,453,498.70	1,770,963.04
Add: Other gains		4,934,342.10	6,145,191.69
Investment gain (loss is denoted as “-”)		-644,860.83	705,906.43
Impairment loss	9	-47,819,652.66	-8,703,354.87
Gain on disposal of assets (loss is denoted as “-”)		399,742.65	1,142,158.10

Consolidated Income Statement
For the year ended 31st December, 2021

Item	Notes	Current period RMB	Corresponding period last year RMB
3. Operating profit (loss is denoted as “-”)		-63,510,900.74	-66,280.83
Add: Non-operating income		1,012,447.55	1,658,923.36
Less: Non-operating expenses		346,361.09	429,847.54
4. Total profit (loss is denoted as “-”)		-62,844,814.28	1,162,794.99
Less: Income tax expenses	10	1,971,109.03	-894,103.67
5. Net profit (loss is denoted as “-”)		-64,815,923.31	2,056,898.66
(1) 1. Net profit from continuing operation (loss is denoted as “-”)		-64,815,923.31	2,056,898.66
2. Net profit from discontinued operation (loss is denoted as “-”)		0	0
(2) 1. Net profit attributable to owners of the parent company (loss is denoted as “-”)		-66,836,302.00	649,958.94
2. Minority interests		2,020,378.69	1,406,939.72
6. Earnings per share:			
(1) Basic earnings per share (loss is denoted as “-”)	11	-0.13	0.0013
(2) Diluted earnings per share (loss is denoted as “-”)	12	-0.13	0.0013
7. Other comprehensive income		0	0
8. Total comprehensive income (loss is denoted as “-”)		-64,815,923.31	2,056,898.66
Total comprehensive income attributable to owners of the parent company (loss is denoted as “-”)		-66,836,302.00	649,958.94
Total comprehensive income attributable to minority interests		2,020,378.69	1,406,939.72

CONSOLIDATED BALANCE SHEET

As at 31st December, 2021

Item	<i>Notes</i>	Current period RMB	Corresponding period last year RMB
Current assets:			
Cash		148,327,828.94	116,336,169.81
Trade receivables	13	150,168,618.13	173,102,709.76
Receivables financing		4,921,714.35	4,800,000.00
Prepayments	14	26,382,833.79	19,959,829.99
Other receivables		24,637,951.34	28,552,746.06
Inventories	15	362,654,966.08	391,769,140.01
Other current assets		4,321,880.22	6,919,181.64
		721,415,792.85	741,439,777.27
Total current assets			
Non-current assets:			
Long term equity investment	16	1,954,210.08	2,599,070.91
Fixed assets		122,149,251.06	145,539,740.02
Construction in progress	17	5,614,607.42	2,523,829.96
Producing bio-assets	18	29,102,244.37	20,613,190.14
Right-of-use assets	19	47,397,086.43	0
Intangible assets		18,980,843.07	15,387,658.80
Development expenses		8,472,125.26	8,144,298.63
Long-term deferred expenses		7,131,253.86	6,875,682.32
Deferred income tax assets	20	2,606,427.29	3,486,341.75
Other non-current assets		152,600.00	118,775.00
		243,560,648.84	205,288,587.53
Total non-current assets			
Total assets		964,976,441.69	946,728,364.80

CONSOLIDATED BALANCE SHEET

As at 31st December, 2021

Item	Notes	Current period RMB	Corresponding period last year RMB
Current liabilities:			
Short-term borrowings		43,418,100.54	53,058,569.44
Trade and bill payables	21	232,012,313.59	224,299,378.73
Contract liabilities		48,141,781.90	37,016,460.33
Employee remuneration payables		7,790,197.03	8,376,366.66
Tax and levy payables	22	2,831,408.43	2,152,718.27
Other payables		34,918,398.67	26,203,466.74
Non-current liabilities due within one year		5,846,769.63	0
Other current liabilities		3,919,171.61	3,096,841.42
Total current liabilities		<u>378,878,141.41</u>	<u>354,203,801.59</u>
Non-current liabilities:			
Lease liabilities		43,615,956.46	
Deferred income		13,390,484.86	10,802,414.38
Total non-current liabilities		<u>57,006,441.32</u>	<u>10,802,414.38</u>
Total liabilities		<u>435,884,582.73</u>	<u>365,006,215.97</u>
Equity of owners:			
Share capital		519,521,560.00	519,521,560.00
Capital reserve		26,198,138.96	25,737,140.18
Surplus reserves		34,724,097.27	34,724,097.27
Undistributed profit (loss is denoted as “-”)		-76,515,393.17	-9,679,091.17
Total equity attributable to owners of the parent company		<u>503,928,403.06</u>	<u>570,303,706.28</u>
Minority interests		25,163,455.90	11,418,441.55
Total equity of owners		<u>529,091,858.96</u>	<u>581,722,148.83</u>
Total liabilities and equity of owners		<u><u>964,976,441.69</u></u>	<u><u>946,728,364.80</u></u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

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 31st meeting of the sixth session of the Board on 30th March, 2022 for publication.

The Company included 12 subsidiaries, namely, Gansu Tianye Water Saving Device Co., Ltd (hereinafter referred to as “Gansu 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”), Shihezi Tianye Xiying Water Saving Device Co., Ltd.* (hereinafter referred to as “Xiying Water Saving”), Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.*(hereinafter referred to as “Liaoning Tianfu Ecological”) and Urumuqi Hongrui Plastic Trade Limited (hereinafter referred to as “Hongrui Plastic”) 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, 2021

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, 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, 2021

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, 2021

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* (“ Gansu Tianye ”) (甘肅天業節水有限公司), Akesu Tianye Water Saving Co., Ltd* (“ Akesu Tianye ”) (阿克蘇天業節水有限公司), Shihezi Tiancheng Water Saving Device Co., Ltd* (“ Tiancheng Water Saving ”) (石河子市天誠節水器材有限公司)	15
Hami Tianye Hongxing Water Saving Irrigation Co., Ltd* (“ Hami Tianye ”) (哈密天業紅星節水灌溉有限責任公司), Kuitun Tiantun Water Saving Co., Ltd* (“ Kuitun Water Saving ”) (奎屯天屯節水有限責任公司), Liaoning Tianye Water Saving Irrigation Co., Ltd* (“ Liaoning Tianye ”) (遼寧天業節水灌溉有限公司), Shihezi Tianye Xiyang Water Saving Device Co., Ltd.* (“ Xiyang Water Saving ”) (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.* (“ Xiyu Water Conservancy ”) (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* (“ Zhongxinnong Water Saving ”) (中新農現代節水科技有限公司), Gansu Tianye Water Conservancy and Hydropower Company Limited* (“ Gansu Tianye Water Conservancy and Hydropower ”) (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, Akesu Tianye and Tiancheng Water Saving were subjected to an EIT tax rate of 15% in 2021 as they complied with the requirements of the tax concession policies of the Western Development.
- (2) The Subsidiaries (including Kuitun Water Saving, Liaoning Tianye, Xiyang Water Saving, Xiyu Water Conservancy, Zhongxinnong Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Tianfu Ecological and Hongrui Plastic) are a qualified small low-profit enterprise. For the period from 1st January, 2019 to 31st December, 2021, 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 25% 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 50% of this portion of its taxable income.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

5. OPERATING INCOME/COST OF SALES

(1) Breakdown

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Principal businesses	1,061,427,902.55	1,000,920,173.70	674,510,139.61	575,723,489.78
Other businesses	50,190,126.11	41,445,058.10	32,047,968.05	31,335,298.64
Total	<u>1,111,618,028.66</u>	<u>1,042,365,231.80</u>	<u>706,558,107.66</u>	<u>607,058,788.42</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	50,938,339.73	43,480,716.88	168,462,106.95	147,969,390.46
PVC pipes/PE pipes	285,668,724.94	259,436,666.02	343,484,392.98	281,104,072.99
Project income	224,451,673.20	202,150,739.32	162,563,639.68	146,650,026.33
Trade income	500,369,164.68	495,852,051.48		
Other operating income	47,489,013.22	39,882,744.63	30,661,453.92	31,139,265.33
Total income generated from customer contracts	<u>1,108,916,915.77</u>	<u>1,040,802,918.33</u>	<u>705,171,593.53</u>	<u>606,862,755.11</u>

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

Name of region	Current period	Corresponding period last year
Xinjiang	896,913,064.07	552,807,544.22
PRC excluding Xinjiang	<u>212,003,851.70</u>	<u>121,702,595.39</u>
Sub-total	<u>1,108,916,915.77</u>	<u>674,510,139.61</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

6. DISTRIBUTION COSTS

Item	Current period	Corresponding period last year
Salaries, benefits and social security contributions	14,249,452.33	14,720,736.12
Transportation costs	0.00	9,636,233.10
Sale service fee	7,203,019.84	4,836,292.81
Materials consumptions	98,870.74	2,987,612.35
Loading and unloading fees	0.00	2,104,815.46
Travel expenses	748,564.95	1,041,530.49
Rental expenses	780,603.48	889,605.22
Depreciation and amortization charge	810,478.41	819,340.02
Tender fee	1,212,944.29	578,952.90
Advertising fee	77,669.9	240,005.57
Warehousing and storage fees	152,024.92	157,597.67
Others	1,382,948.95	2,004,672.80
Total	<u>26,716,577.81</u>	<u>40,017,384.51</u>

7. ADMINISTRATIVE EXPENSES

(1) Breakdown

Item	Current period	Restated Corresponding period last year
Salaries benefits and social security contributions	24,889,391.75	22,973,922.97
Losses from work suspension	1,886,251.77	2,500,460.18
Service fees	4,905,541.13	3,972,203.43
Depreciation and amortization charge	3,560,795.66	4,514,782.08
Agency service fees	4,461,362.22	3,687,747.91
Travel expenses	1,248,609.92	1,200,677.70
Car expenses	323,703.76	349,195.01
Lease fees	1,431,395.3	717,204.67
Water, electricity, and heating fees	494,464.34	319,410.21
Office costs	757,744.02	293,999.72
Announcement fees	482,289.80	0
Safety costs	596,549.87	0
Disabilities security fund	217,860.25	0
Maintenance costs	165,817.87	0
Litigation fees	136,901.73	0
Others	1,896,451.37	2,075,230.27
Total	<u>47,455,130.76</u>	<u>42,604,834.13</u>

(2) Included in the administrative expenses for the year was RMB0.70 million of auditor's remuneration (2020: RMB0.70 million).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

8. FINANCE COSTS

Item	Current period	Corresponding period last year
Interest expenses	3,874,065.10	2,605,397.98
Interest of other loans not fully repayable within 5 years		
Less: Interest income	578,562.66	992,198.55
Add: Exchange gain	278.83	1,559.45
Add: Commission and other expenses	157,717.43	156,204.16
Total	<u>3,453,498.70</u>	<u>1,770,963.04</u>

9. ASSETS IMPAIRMENT LOSS

Item	Current period	Corresponding period last year
Bad debt loss	14,361,537.20	4,255,589.12
Inventory impairment loss	22,029,593.58	3,869,949.98
Impairment on fixed assets	11,428,521.88	577,815.77
Total	<u>47,819,652.66</u>	<u>8,703,354.87</u>

10. INCOME TAX EXPENSES

(1) Breakdown

Item	Current period	Corresponding period last year
Current income tax charges	1,081,096.06	1,388,371.13
Deferred income tax charges	890,012.97	-2,282,474.80
Total	<u>1,971,109.03</u>	<u>-894,103.67</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

10. INCOME TAX EXPENSES (Continued)

(2) Reconciliation between accounting profit and income tax expenses

Item	Current period	Corresponding period last year
Total profits	-62,844,814.28	1,162,794.99
EIT charges at the tax rate of 15% applicable to the parent company	-9,426,722.14	174,419.24
Effect of different tax rates applicable to subsidiaries (5% and 10%)	1,675,981.10	-194,454.53
Effect of prior period income tax adjustment	-10,638.91	-7,470.47
Tax effect of expenses not deductible	225,584.75	731,910.06
Effect of deductible temporary differences that have not recognized for deferred income tax asset during the prior period	-111,263.81	-3,155,641.80
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax asset during the period (<i>Note</i>)	10,083,306.40	2,626,682.22
Tax effect of super deduction of research and development expenses	-465,138.36	-1,069,548.39
Total	<u>1,971,109.03</u>	<u>-894,103.67</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 2021 and 2020.

11. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2021 (2020: Nil).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

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	-66,836,302.00
Non-recurring profit or loss	B	5,688,801.99
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-72,525,103.99
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	$M=A/L$	-0.13
Basic earnings per share after non-recurring profit or loss	$N=C/L$	-0.14

(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

(1) Aging analysis

Age	Closing balance	Opening balance
Within 1 year	82,565,940.93	64,637,511.59
1-2 years	28,099,063.66	60,029,425.03
2-3 years	26,020,729.71	54,605,098.65
3-4 years	36,417,088.90	8,761,264.98
4-5 years	7,137,397.54	6,823,416.93
Over 5 years	25,116,313.60	19,815,017.19
Total	<u>205,356,534.34</u>	<u>214,671,734.37</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

13. TRADE RECEIVABLES (Continued)

(2) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Bad-debt provision Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	27,533,460.05	13.41%	24,991,535.99	90.77%	2,541,924.06
Bad debt provision made in portfolio	177,823,074.29	86.59%	30,196,380.22	16.98%	147,626,694.07
Total	205,356,534.34	100.00	55,187,916.21	26.87%	150,168,618.13

Category	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Amount	Bad-debt provision Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	14,249,691.78	6.64	13,396,292.78	94.01	853,399.00
Bad debt provision made in portfolio	200,422,042.59	93.36	28,172,731.83	14.06	172,249,310.76
Total	214,671,734.37	100.00	41,569,024.61	19.36	173,102,709.76

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2021

14. PREPAYMENTS

(1) Aging analysis

Carrying amount	Closing balance			Closing balance of the previous year			Carrying amount
	Book balance	Percentage (%)	Provision for impairment	Book balance	Percentage (%)	Provision for impairment	
Within 1 year	23,916,437.77	90.65	23,916,437.77	19,264,206.23	96.52	19,264,206.23	
1-2 years	2,439,396.02	9.25	2,439,396.02	537,123.76	2.69	537,123.76	
2-3 years	27,000.00	0.1	27,000.00	78,500.00	0.39	78,500.00	
Over 3 years	—	—	—	80,000.00	0.4	80,000.00	
Total	26,382,833.79	100.00	26,382,833.79	19,959,829.99	100	19,959,829.99	

(2) Top 5 prepayments

Name of entity	Book balance	Percentage to prepayments balance (%)
Northwest Chemical Products Sales Branch of PetroChina Company Limited (中國石油天然氣股份有限公司西北化工銷售分公司)	6,686,077.33	25.34
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	2,374,053.87	9.00
Tianjin Port Free Trade Zone Haihui International Trade Development Co., Ltd.	1,371,200.00	5.20
Hangjin Houqi Agricultural Comprehensive Development Project Construction Center (杭錦后旗農業綜合開發項目建設中心)	1,263,100.40	4.79
Shihezi Shuopeng Agricultural Technology Co., Ltd.* (石河子市碩鵬農業科技有限公司)	1,051,949.45	3.99
Sub-total	12,746,381.05	48.31

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

15. INVENTORIES

(1) Breakdown

Item	Closing balance		Closing balance of the previous year			
	Book balance	Percentage (%)	Book balance	Book balance	Percentage (%)	Book balance
Raw materials	172,150,613.64	9,742,191.75	162,408,421.89	174,090,087.56	8,204,109.42	165,885,978.14
Work-in-progress	4,634,229.42	0.00	4,634,229.42	12,805,829.52		12,805,829.52
Finished goods	168,442,205.00	29,481,423.72	138,960,781.28	172,557,909.12	12,714,192.99	159,843,716.13
Contract performance costs	53,124,108.20	0.00	53,124,108.20	45,460,673.59		45,460,673.59
Materials under subcontract processing	3,527,425.29	0.00	3,527,425.29	7,724,886.85		7,724,886.85
Other materials turnover	0.00	0.00	0.00	48,055.78		48,055.78
Total	401,878,581.55	39,223,615.47	362,654,966.08	412,687,442.42	20,918,302.41	391,769,140.01

(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	8,204,109.42	4,257,123.52		2,719,041.19		9,742,191.75
Finished goods	12,714,192.79	17,772,470.06		1,005,239.33		29,481,423.72
Sub-total	20,918,302.41	22,029,593.58		3,724,280.52		39,223,615.47

16. LONG-TERM EQUITY INVESTMENTS

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	1,954,210.08	0.00	1,954,210.08	2,599,070.91	0	2,599,070.91
Total	1,954,210.08	0.00	1,954,210.08	2,599,070.91	0	2,599,070.91

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

17. CONSTRUCTION-IN-PROGRESS

Item	Book balance	Closing balance Provision for impairment	Carrying amount	Closing balance of the previous year		
				Book balance	Provision for impairment	Carrying amount
Modern agricultural science and technology demonstration base project	2,507,698.96		2,507,698.96	983,972.34		983,972.34
Baolongshan production and construction base				556,358.04		556,358.04
Transformation of quality traceability information management system for drip irrigation tape				450,442.48		450,442.48
EAS Supply Chain Project				232,090.87		232,090.87
Office renovation project of Valmont				205,201.83		205,201.83
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	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			
Miscellaneous	0	0	0	95,764.40		95,764.40
Total	<u>5,614,607.42</u>	<u>0</u>	<u>5,614,607.42</u>	<u>2,523,829.96</u>		<u>2,523,829.96</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

18. RIGHT-OF-USE ASSETS

Item	Properties and buildings	Land use rights	Machinery and equipment	Transportation vehicles	Total
Initial carrying amount					
Opening balance					
Increase during the period	9,637,690.19	40,522,270.45	3,918,032.34	169,375.30	54,247,368.28
1) Lease	9,637,690.19	40,522,270.45	3,918,032.34	169,375.30	54,247,368.28
Decrease during the period					
1) Disposal					
Closing balance	9,637,690.19	40,522,270.45	3,918,032.34	169,375.30	54,247,368.28
Accumulated depreciation					
Opening balance					
Increase during the period	3,236,457.86	2,147,885.56	1,424,739.04	41,199.39	6,850,281.85
1) Provision	3,236,457.86	2,147,885.56	1,424,739.04	41,199.39	6,850,281.85
Decrease during the period					
1) Disposal					
Closing balance	3,236,457.86	2,147,885.56	1,424,739.04	41,199.39	6,850,281.85
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>6,401,232.33</u>	<u>38,374,384.89</u>	<u>2,493,293.30</u>	<u>128,175.91</u>	<u>47,397,086.43</u>
Carrying amount at the beginning of the period	<u> </u>				

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

19. PRODUCING BIO-ASSETS

(1) Breakdown

Item	Planting Immature	Total
Initial carrying amount		
Opening balance	20,613,190.14	20,613,190.14
Increase during the period	8,788,464.5	8,788,464.5
1) Additions	8,788,464.5	8,788,464.5
Decrease during the period		
1) Disposal		
Closing balance	29,401,654.64	29,401,654.64
Accumulated depreciation		
Opening balance		
Increase during the period	299,410.27	299,410.27
1) Provision	299,410.27	299,410.27
Decrease during the period		
1) Disposal		
Closing balance	299,410.27	299,410.27
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>29,102,244.37</u>	<u>29,102,244.37</u>
Carrying amount at the beginning of the period	<u>20,613,190.14</u>	<u>20,613,190.14</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2021

20. 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	21,661,937.83	2,395,956.11	16,638,259.36	2,668,991.02
Deductible losses	<u>4,209,423.58</u>	<u>210,471.18</u>	<u>4,086,753.64</u>	<u>817,350.73</u>
Total	<u><u>25,871,361.41</u></u>	<u><u>2,606,427.29</u></u>	<u><u>20,725,013.00</u></u>	<u><u>3,486,341.75</u></u>

21. TRADE PAYABLES

Aging analysis

Age	Closing balance	Opening balance
Within 1 year	165,309,722.77	156,015,767.79
1–2 years	32,120,579.06	11,653,110.30
2–3 years	6,205,189.72	40,552,615.51
Over 3 years	<u>28,376,822.04</u>	<u>16,077,885.13</u>
Total	<u><u>232,012,313.59</u></u>	<u><u>224,299,378.73</u></u>

22. TAX AND LEVY PAYABLES

Item	Closing balance	Opening balance
EIT	132,303.07	1,033,093.06
VAT	2,050,265.27	680,163.97
Individual income tax withheld	212,366.46	160,726.48
Stamp duty	80,666.01	148,144.21
City maintenance and construction tax	174,458.62	44,007.35
Education surcharge	73,761.27	19,089.25
Local education surcharge	57,448.24	19,034.18
Land use tax	0	36,000
Environmental protection tax	14,267.33	12,459.77
Property tax	<u>35,872.16</u>	<u>0</u>
Total	<u><u>2,831,408.43</u></u>	<u><u>2,152,718.27</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2021, operating income of the Group was approximately RMB1,111,618,000, representing an increase of approximately 57.93% from approximately RMB706,588,000 for the year ended 31st December, 2020.

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, 2021		For the year ended 31st December, 2020		Year-on- year percentage change %
	Operating income <i>RMB'000</i>	% to total Operating income %	Operating income <i>RMB'000</i>	% to total Operating income %	
Drip tape and drip assemblies	50,938	4.58	168,462	23.84	-69.76
PVC/PE pipelines	285,668	25.69	343,484	48.61	-16.83
Provision of installation services	224,452	20.19	162,564	23.01	38.07
Trading income	500,369	45.9	0.00	0.00	100.00
Other operating income	50,191	4.53	32,048	4.54	56.61
Total	<u>1,111,618</u>	<u>100.00</u>	<u>706,558</u>	<u>100.00</u>	<u>57.33</u>

For the year ended 31st December, 2021, sales of drip tape and drip assemblies decreased by approximately 69.76% to approximately RMB50,938,000, while sales of PVC/PE pipelines decreased by approximately 16.83% to approximately RMB285,668,000. At the same time, the sales volume of drip tape and drip assemblies decreased from approximately 8,562 tonnes for the year ended 31st December, 2020 to approximately 5,066.30 tonnes for the year ended 31st December, 2021, while the sales volume of PVC/PE pipelines decreased from approximately 38,205 tonnes for the year ended 31st December, 2020 to approximately 29,859.98 tonnes for the year ended 31st December, 2021. The increase in operating income was mainly attributable to recognition of the operating income of Hongrui Plastic following its acquisition by the Company in 2021.

Gross profit and gross profit margin

Gross profit and gross profit margin decreased from approximately RMB99,499,000 and 14.08% for the year ended 31st December, 2020 to approximately RMB69,253,000 and 6.23% for the year ended 31st December, 2021, respectively, mainly attributable to a decrease in gross profit margin, as a result from the growing price of raw materials and the rising management expenses despite significant increase in the operating income for the year from the acquired Hongrui Plastics.

Cost of sales

For the year ended 31st December, 2021, cost of sales of the Group was approximately RMB1,042,365,000, representing an increase of approximately 71.71% from approximately RMB607,059,000 for the year ended 31st December, 2020. 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. Costs of sales for the year ended 31st December, 2020 comprised direct materials costs of approximately RMB489,423,000, direct labour costs of approximately RMB58,976,000 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.

Distribution costs

Distribution costs were approximately RMB26,716,000 for the year ended 31st December, 2021, representing a decrease of approximately 33.24% from 2020. The amount accounted for approximately 2.4% of the total operating income for the year ended 31st December, 2021, which was 3.26% lower than its share of total operating income of approximately 5.66% in the previous year. Distribution costs mainly comprised salaries expenses, sales service fee, warehousing and storage fee etc. The decrease in selling expenses in 2021 due to the fact that the sales transportation expenses were accounted for as cost accounting based on the new accounting income standards, instead of being accounted for as sales expenses.

Administrative expenses

Administrative expenses increased by approximately 11.38% to approximately RMB47,455,000 for the year ended 31st December, 2021. The amount accounted for approximately 4.27% of total operating income for the year ended 31st December, 2021, which was dropped by approximately 1.76% from its share of total operating income of approximately 6.03% in the previous year. For the year ended 31st December, 2021, salaries benefits fees increased to approximately RMB24,889,000, representing an increase of approximately 8.34%. Service fees and intermediary service fees increased to approximately RMB4,906,000 and approximately RMB4,461,000 representing an increase of approximately 23.51% and 20.96%, respectively, which led to an increase in administrative expenses.

Finance income/costs

Finance costs for the year ended 31st December, 2021 was approximately RMB3,453,000, consisting mainly of interest expense and commission charges, net of interest income, while finance income for the year ended 31st December, 2020 was approximately RMB1,771,000, 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, 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, while 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. Increase in provision for various impairment losses are attributable to (a) A greater increase in the amount of impairment loss on fixed assets is mainly due to the impairment adjusted by audit, as a result of the market contraction of the drip tape business in 2021, with the majority of fixed assets including drip tapes and drip assembles being idle and depreciated towards expiration, which cannot generate economic benefits to the Company. (b) Credit impairment losses are mainly due to the impairment adjusted by audit, as a result of failure to recover some accounts receivable overdue for a long period in 2021, including amounts that cannot be recovered in time after the lawsuit was won, as well as failure to recover the project payment on time due to postponement of the completion and acceptance of some projects. (c) Inventory impairment losses are mainly due to provision for impairment losses adjusted by audit in that the existing inventory price is higher than the existing market price. Following provision for the above-mentioned impairment loss, the Company reported a larger loss in 2021.

Total profit/loss

As a result of the factors discussed above, the Group's audited total loss for the year ended 31st December, 2021 was approximately RMB62,845,000 while the total profit for the corresponding period in the previous year was approximately RMB1,163,000. The Group's total loss accounted for approximately 5.66% of its turnover for the year ended 31st December, 2021 and the total profit accounted for approximately 0.16% 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 profit of approximately RMB650,000 for the year ended 31st December, 2020 to net loss of approximately RMB66,836,000 for the year ended 31st December, 2021. For the two years ended 31st December, 2021 and 2020, the Group's net loss/profit margins were approximately -6.01% and 0.30%, 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 for the safety, reliability and technical advancement of water-saving irrigation products, which require water-saving irrigation product manufacturers to continuously make substantial capital investment in research and development, upgrading and continuous quality improvement of existing products.

China is a water-stressed country and is ranked as one of the 13 most water-stressed countries in the world. Due to the shortage and uneven distribution of water resources in China and the low efficiency of agricultural irrigation water, vigorously developing water-saving irrigation is not only an inevitable requirement for alleviating the shortage of water resources in China, but also an important means to build a conservation-oriented society and establish a water ecological civilization system.

It was clearly proposed in the Report of the 19th National Congress of the Communist Party of China (the "CPC") that development of agriculture and rural areas shall be the top priority of the CPC and the PRC, and the strategy of rural revitalization was proposed at the Central Agricultural and Rural Work Conference(中央農村工作會議) held in December 2017, which will implement a three-step strategic plan for 2020, 2035 and 2050. In 2022, the State Council approved the National High Standard Farmland Construction Plan (2021–2030), which focuses closely on the goal of food production and specifies the overall requirements for the construction of high standard farmland in the coming period, including construction standards and construction content, construction zoning and construction tasks, construction supervision and follow-up management, benefit analysis, implementation guarantee, etc., 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 projects and renovation projects, so as to ensure that 1 billion mu of high-standard farmland will be built 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-efficiency 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. In terms of implementation guarantee, firstly, strengthen the government investment. Provincial governments bear the main responsibility for local investment, and double down their efforts to support the construction of high-standard farmland by adjusting and improving the use of land sale revenue and integrating the funds from land sale revenue used for agriculture and rural areas. Secondly, improve diversified financing. Government will play the role of guidance and motivation in investment, and orderly guide financial capital, social capital and new agricultural business entities to invest in the construction of high-standard farmland through the improvement of the cooperation mechanism between banks and enterprises and the adoption of approaches such as investment grants, reward in substitution of subsidies and loan interest subsidies. Thirdly, integrate and aggregate funds. The funds will be integrated and aggregated from the central, provincial and county level and will be used for lands to ensure the completion of construction tasks. In the “14th Five-Year Plan” development plan, the Xinjiang Autonomous Region emphasizes the general policy of giving priority to the development of agriculture and rural areas, and the important development strategy of rural revitalization. In accordance with the Notice on Assigning Farmland Construction Tasks in 2022 (Nong Jian Fa [2021] No.7) issued by the Ministry of Agriculture and Rural Affairs, the Department of Agriculture and Rural Affairs of the Xinjiang Uygur Autonomous Region clarifies the construction tasks and promotes the construction of high-quality cotton base with a plan of building 5 million mu of high-standard cotton fields in 25 counties (cities) in 7 prefectures, indicating a bright market prospect in the future.

Development Plan for 2022: In close pursuit of development pattern of “one core business and two new businesses (一主兩新)” proposed by Tianye Group, under the core business of “modern agriculture” and relying on its strategic development mode of “product, engineering, agricultural services, and trade”, Tianye Water Saving will quickly complete the transformation from “a simple manufacturer” to “a comprehensive service provider”. As an early listed water-saving company in the PRC with rich practical experience, the Company will be well positioned to seize the first opportunity arising from the policies of the rural revitalization, rural sewage treatment and high-standard farmland construction based on its own technical advantages, to achieve the rapid development of its business operations, thus providing a more solid guarantee for the Company to realize its idea of higher quality, higher efficiency and sustainable development. The Company will continue to make overall planning in close pursuit of the 14th five-year strategic development and planning goals. It 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 its stable development, and enhance its overall strengths and competitiveness, thereby improving its overall operating capacity.

The Group will never forget its original intention and will, based on customer needs and by adhering to the management concepts of technology leadership and quality leadership, provide customers with comprehensive technical support and after-sales service and continuously improve its overall strength, while continuously work hard to achieve various tasks of our business in 2022.

INDEBTEDNESS

Borrowings

As at 31st December, 2021, the Group had outstanding bank loans of RMB43,418,000 (2020: RMB53,059,000).

Commitments

As at 31st December, 2021, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB720,000 (2020: RMB820,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2021 were approximately 1.90 and 0.88, respectively, representing a slight decrease of 0.19 in current ratio and a slight decrease of 0.05 in quick ratio when compared to those as at 31st December, 2020.

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, 2021, 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 RMB926,000 (2020: approximately RMB1,203,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2021, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 8.21% (2020: 9.31%). This was primarily due to the fact that the Group's bank loan amounted to RMB43,418,000 in 2021 and RMB53,059,000 in 2020. 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, 2021.

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, 2021, the Group had no contingent liabilities (2020: Nil).

Events after the reporting period

No other material events have occurred after the reporting period and up to the date of this announcement.

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 2020 and 2021.

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, 2021, the Group had 527 employees (2020: 528) 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 RMB8,494,000 for the year ended 31st December, 2021.

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.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31st December, 2021, the Company acquired the 34.06% equity interest of Urumuqi Hongrui Plastic Trade Limited. by way of capital contribution in cash. On 26th May, 2021, the Company entered into a capital increase agreement with the Target Company, Ms. Deng and Mr. Li, pursuant to which the Company agreed to inject capital into the Target Company and held 34.06% equity interest in the Target Company, and the Target Company became a subsidiary of the Company and its financial statements are included in the consolidated financial statements.

Save as the above, for the year ended 31st December, 2021, the Group had neither material acquisitions nor disposals of subsidiaries and associated companies.

MATERIAL INVESTMENTS

For the year ended 31st December, 2021, the Group had no material investments.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2021 (2020: 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 year ended 31st December, 2021, 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, 2021.

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, 2021, 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, 2021.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group's consolidated annual result for the year ended 31st December, 2021, 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, 2021 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, 2021.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2021 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*
Li He
Chairman

Xinjiang, the PRC, 30 March 2022

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

* *For identification purpose only*