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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, 2022

GROUP FINANCIAL SUMMARY

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

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31st December, 2022, together with the comparative figures for the corresponding period in 2021 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, 2022

Item	Notes	Current period RMB	Corresponding period last year RMB
1. Total operating revenue		1,443,455,236.34	1,111,618,028.66
Including: Operating income	5	1,443,455,236.34	1,111,618,028.66
2. Total operating cost		1,500,826,756.68	1,131,998,500.66
Including: Cost of sales	5	1,422,700,127.79	1,042,365,231.80
Business taxes and surcharges		4,087,820.55	4,300,107.97
Distribution costs	6	23,078,315.07	26,716,577.81
Administrative expenses	7	41,647,330.08	47,455,130.76
Research and development expenses		6,762,506.43	7,707,953.62
Finance costs	8	2,550,656.76	3,453,498.70
Add: Other gains		6,351,459.47	4,934,342.10
Investment loss		-639,064.09	-644,860.83
Impairment loss	9	-33,318,124.65	-47,819,652.66
Gain on disposal of assets		863,853.14	399,742.65

Consolidated Income Statement
For the year ended 31st December, 2022

Item	Notes	Current period RMB	Corresponding period last year RMB
3. Operating profit (loss is denoted as “-”)		-84,113,396.47	-63,510,900.74
Add: Non-operating income		3,942,948.79	1,012,447.55
Less: Non-operating expenses		249,060.66	346,361.09
4. Total profit (loss is denoted as “-”)		-80,419,508.34	-62,844,814.28
Less: Income tax expenses	10	990,573.14	1,971,109.03
5. Net profit (loss is denoted as “-”)		-81,410,081.48	-64,815,923.31
(1) 1. Net profit from continuing operation (loss is denoted as “-”)		-81,410,081.48	-64,815,923.31
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 “-”)		-78,176,019.58	-66,836,302.00
2. Minority interests (loss is denoted as “-”)		-3,234,061.90	2,020,378.69
6. Earnings per share:			
(1) Basic earnings per share (loss is denoted as “-”)	12	-0.15	-0.13
(2) Diluted earnings per share (loss is denoted as “-”)	12	-0.15	-0.13
7. Other comprehensive income		0	0
8. Total comprehensive income (loss is denoted as “-”)		-81,410,081.48	-64,815,923.31
Total comprehensive income attributable to owners of the parent company (loss is denoted as “-”)		-78,176,019.58	-66,836,302.00
Total comprehensive income attributable to minority interests (loss is denoted as “-”)		-3,234,061.90	2,020,378.69

CONSOLIDATED BALANCE SHEET

As at 31st December, 2022

Item	Notes	Current period RMB	Corresponding period last year RMB
Current assets:			
Cash		238,746,479.45	148,327,828.94
Trade receivables	13	124,846,903.06	150,168,618.13
Receivables financing		8,510,375.00	4,921,714.35
Prepayments	14	42,566,613.87	26,382,833.79
Other receivables		31,436,680.73	24,637,951.34
Inventories	15	341,404,664.56	362,654,966.08
Other current assets		7,078,177.42	4,321,880.22
		<u>794,589,894.09</u>	<u>721,415,792.85</u>
Total current assets			
Non-current assets:			
Long term equity investment	16	1,315,145.99	1,954,210.08
Fixed assets		115,849,862.84	122,149,251.06
Construction in progress	17	6,452,353.32	5,614,607.42
Producing bio-assets	18	33,143,983.98	29,102,244.37
Right-of-use assets	19	41,691,182.20	47,397,086.43
Intangible assets		17,422,707.38	18,980,843.07
Development expenses		10,568,709.31	8,472,125.26
Long-term deferred expenses		6,077,296.39	7,131,253.86
Deferred income tax assets	20	2,249,032.01	2,606,427.29
Other non-current assets		50,000.00	152,600.00
		<u>234,820,273.42</u>	<u>243,560,648.84</u>
Total non-current assets			
Total assets		<u><u>1,029,410,167.51</u></u>	<u><u>964,976,441.69</u></u>

CONSOLIDATED BALANCE SHEET

As at 31st December, 2022

Item	Notes	Current period RMB	Corresponding period last year RMB
Current liabilities:			
Short-term borrowings		89,105,813.89	43,418,100.54
Trade and bill payables	21	333,094,316.80	232,012,313.59
Contract liabilities		49,131,175.61	48,141,781.90
Employee remuneration payables		5,923,116.93	7,790,197.03
Tax and levy payables	22	8,272,174.64	2,831,408.43
Other payables		33,140,516.98	34,918,398.67
Non-current liabilities due within one year		2,676,912.83	5,846,769.63
Other current liabilities		3,802,030.99	3,919,171.61
		<u>525,146,058.67</u>	<u>378,878,141.41</u>
Total current liabilities			
Non-current liabilities:			
Lease liabilities		41,242,207.43	43,615,956.46
Deferred income		16,224,673.93	13,390,484.86
		<u>57,466,881.36</u>	<u>57,006,441.32</u>
Total non-current liabilities			
		<u>582,612,940.03</u>	<u>435,884,582.73</u>
Total liabilities			
Equity of owners:			
Share capital		519,521,560.00	519,521,560.00
Capital reserve		26,456,445.54	26,198,138.96
Surplus reserves		34,724,097.27	34,724,097.27
Undistributed profit (loss is denoted as “-”)		-154,691,412.75	-76,515,393.17
		<u>426,010,690.06</u>	<u>503,928,403.06</u>
Total equity attributable to owners of the parent company			
Minority interests		20,786,537.42	25,163,455.90
		<u>446,797,227.48</u>	<u>529,091,858.96</u>
Total equity of owners			
		<u>1,029,410,167.51</u>	<u>964,976,441.69</u>
Total liabilities and equity of owners			

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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 sixth meeting of the seventh session of the Board on 30th March, 2023 for publication.

The Company included 13 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 “Tianfu Ecological”), Urumuqi Hongrui Plastic Trade Limited (hereinafter referred to as “Hongrui Plastic”), and Xinjiang Tianye Modern Agricultural Technology Co., Ltd. (hereinafter referred to as “Modern Agricultural”) 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, 2022

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, 2022

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, 2022

4. TAXATION

Information on income tax rates of taxpayers with various tax rates

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

Enterprise income tax (“EIT”)

- (1) On 19 October 2020, the Company obtained the high-tech enterprise certificate with the certificate number of GR202065000139 for a term of three years and is entitled to a preferential tax treatment of enterprise income tax at a reduced tax rate of 15% in 2022.
- (2) The Company’s subsidiaries, Gansu Tianye, Akesu Tianye, Tiancheng Water Saving and Zhongxinnong Water Saving were subjected to an EIT tax rate of 15% in 2022 as they complied with the requirements of the tax concession policies of the Western Development.
- (3) Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration Announcement on the Implementation of Income Tax Preferential Policies for Small and Micro Enterprises and Individual Businesses” ([2021] No. 12) and the Notice of the Ministry of the Finance and the State Taxation Administration on Further Implementation of Preferential Income Tax Policies for Small and Micro Enterprises ([2022] No.13), the Subsidiaries (including Kuitun Water Saving, Liaoning Tianye, Xiyang Water Saving, Xiyu Water Conservancy, Wisdom Agriculture, Nanjiang Water Saving, Tianfu Ecological, Hongrui Plastic and Modern Agricultural) are entitled to enjoy income tax preferential policies for small and micro enterprises. The portion of annual taxable income not exceeding RMB1 million is subject to a corporate tax rate of 20% on the basis of 12.5% of this portion of its taxable income, and the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million is subject to corporate tax rate of 20% on the basis of 25% of this portion of its taxable income.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

5. OPERATING INCOME/COST OF SALES

(1) Breakdown

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Principal businesses	1,360,221,203.03	1,338,022,587.48	1,061,427,902.55	1,000,920,173.70
Other businesses	<u>83,234,033.31</u>	<u>84,677,540.31</u>	<u>50,190,126.11</u>	<u>41,445,058.10</u>
Total	<u>1,443,455,236.34</u>	<u>1,422,700,127.79</u>	<u>1,111,618,028.66</u>	<u>1,042,365,231.80</u>

(2) Breakdown of income generated from customer contracts (by types of goods and services)

Project	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Project income	778,226,940.09	774,775,503.09	500,369,164.68	495,852,051.48
Trade income	379,856,532.84	361,354,015.73	224,451,673.20	202,150,739.32
Drip tape and drip assemblies	37,996,756.47	40,761,861.63	50,938,339.73	43,480,716.88
PVC pipes/PE pipes	164,140,973.63	161,131,207.03	285,668,724.94	259,436,666.02
Other businesses	<u>81,151,454.06</u>	<u>83,500,462.29</u>	<u>47,489,013.22</u>	<u>39,882,744.63</u>
Total income generated from customer contracts	<u>1,441,372,657.09</u>	<u>1,421,523,049.77</u>	<u>1,108,916,915.77</u>	<u>1,040,802,918.33</u>

(3) Breakdown of income generated from customer contracts (by region of operation)

Project	Current period	Corresponding period last year
	Xinjiang	1,302,459,847.79
PRC excluding Xinjiang	<u>138,912,809.30</u>	<u>212,003,851.70</u>
Sub-total	<u>1,441,372,657.09</u>	<u>1,108,916,915.77</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. DISTRIBUTION COSTS

Item	Current period	Corresponding period last year
Salaries, benefits and social security contributions	11,307,355.85	14,249,452.33
Sale service fee	3,188,350.02	7,203,019.84
Sales commission	1,972,438.16	0.00
Materials consumptions	292,514.10	98,870.74
Repair fees	732,164.34	0.00
Travel expenses	637,303.03	748,564.95
Rental expenses	909,144.81	780,603.48
Depreciation and amortization charge	1,648,341.55	810,478.41
Tender fee	489,726.40	1,212,944.29
Advertising fee	0.00	77,669.9
Warehousing and storage fees	356,903.84	152,024.92
Others	1,544,072.97	1,382,948.95
Total	<u>23,078,315.07</u>	<u>26,716,577.81</u>

7. ADMINISTRATIVE EXPENSES

(1) Breakdown

Item	Current period	Restated Corresponding period last year
Salaries benefits and social security contributions	23,587,261.90	24,889,391.75
Safety expenses	1,303,576.70	0.00
Losses from work suspension	0.00	1,886,251.77
Service fees	1,139,401.93	4,905,541.13
Depreciation and amortization charge	5,503,875.12	3,560,795.66
Agency service fees	3,505,590.96	4,461,362.22
Travel expenses	805,059.80	1,248,609.92
Car expenses	249,016.31	323,703.76
Lease fees	885,860.68	1,431,395.3
Water, electricity, and heating fees	463,636.78	494,464.34
Office costs	241,312.40	757,744.02
Announcement fees	1,223,681.00	482,289.80
Safety costs	6,466.66	596,549.87
Disabilities security fund	187,538.40	217,860.25
Maintenance costs	132,472.35	165,817.87
Litigation fees	133,107.76	136,901.73
Others	2,279,471.33	1,896,451.37
Total	<u>41,647,330.08</u>	<u>47,455,130.76</u>

(2) Included in the administrative expenses for the year was RMB0.75 million of auditor's remuneration (2021: RMB0.75 million).

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

8. FINANCE COSTS

Item	Current period	Corresponding period last year
Interest expenses	2,994,011.91	3,874,065.10
Interest of other loans not fully repayable within 5 years		
Less: Interest income	589,123.36	578,562.66
Add: Exchange gain	-0.62	278.83
Add: Commission and other expenses	145,768.83	157,717.43
Total	<u>2,550,656.76</u>	<u>3,453,498.70</u>

9. ASSETS IMPAIRMENT LOSS

Item	Current period	Corresponding period last year
Bad debt loss	-10,386,628.08	14,361,537.20
Inventory impairment loss	-22,931,496.57	22,029,593.58
Impairment on fixed assets	0.00	11,428,521.88
Total	<u>33,318,124.62</u>	<u>47,819,652.66</u>

10. INCOME TAX EXPENSES

(1) Breakdown

Item	Current period	Corresponding period last year
Current income tax charges	633,177.86	1,081,096.06
Deferred income tax charges	357,395.28	890,012.97
Total	<u>990,573.14</u>	<u>1,971,109.03</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

10. INCOME TAX EXPENSES (Continued)

(2) Reconciliation between accounting profit and income tax expenses

Item	Current period	Corresponding period last year
Total profits	-80,419,508.34	-62,844,814.28
EIT charges at the tax rate of 15% applicable to the parent company	-12,062,926.21	-9,426,722.14
Effect of different tax rates applicable to subsidiaries (5% and 10%)	1,833,728.80	1,675,981.10
Effect of prior period income tax adjustment	193,404.45	-10,638.91
Tax effect of expenses not deductible	4,479.21	225,584.75
Effect of deductible temporary differences that have not recognized for deferred income tax asset during the prior period	-83,384.17	-111,263.81
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax asset during the period (<i>Note</i>)	11,811,215.61	10,083,306.40
Tax effect of super deduction of research and development expenses	-705,944.55	-465,138.36
Total	<u>990,573.14</u>	<u>1,971,109.03</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 2022 and 2021.

11. DIVIDENDS

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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	-78,176,019.58
Non-recurring profit or loss	B	12,949,672.64
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-91,125,692.22
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	$M=A/L$	-0.15
Basic earnings per share after non-recurring profit or loss	$N=C/L$	-0.18

(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 of trade receivables based on the actual month of occurrence is as follows:

Age	Closing balance	Opening balance
Within 1 year	60,087,992.17	82,565,940.93
1-2 years	32,177,202.44	28,099,063.66
2-3 years	16,380,009.49	26,020,729.71
3-4 years	19,584,583.27	36,417,088.90
4-5 years	31,110,648.81	7,137,397.54
Over 5 years	29,976,497.56	25,116,313.60
Total	189,316,933.74	205,356,534.34

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

13. TRADE RECEIVABLES (Continued)

(2) Breakdown by category

Category	Book balance		Closing balance		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	28,426,199.13	15.02%	27,844,705.74	97.95%	581,493.39
Bad debt provision made in portfolio	<u>160,890,734.61</u>	<u>84.98%</u>	<u>36,625,324.94</u>	<u>22.76%</u>	<u>124,265,409.67</u>
Total	<u><u>189,316,933.74</u></u>	<u><u>100%</u></u>	<u><u>64,470,030.68</u></u>	<u><u>34.05%</u></u>	<u><u>124,846,903.06</u></u>

Category	Book balance		Opening balance		Carrying amount
	Amount	Percentage (%)	Amount	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	<u>177,823,074.29</u>	<u>86.59%</u>	<u>30,196,380.22</u>	<u>16.98%</u>	<u>147,626,694.07</u>
Total	<u><u>205,356,534.34</u></u>	<u><u>100.00%</u></u>	<u><u>55,187,916.21</u></u>	<u><u>26.87%</u></u>	<u><u>150,168,618.13</u></u>

NOTES TO FINANCIAL STATEMENTS
For the year ended 31st December, 2022

14. PREPAYMENTS

(1) Aging analysis

Carrying amount	Closing balance			Carrying amount	Closing balance of the previous year			Carrying amount
	Book balance	Percentage (%)	Provision for impairment		Book balance	Percentage (%)	Provision for impairment	
Within 1 year	39,349,118.43	92.44	—	39,349,118.43	23,916,437.77	90.65	—	23,916,437.77
1-2 years	2,489,288.02	5.84	—	2,489,288.02	2,439,396.02	9.25	—	2,439,396.02
2-3 years	711,302.52	1.67	—	711,302.52	27,000.00	0.1	—	27,000.00
Over 3 years	16,904.90	0.04	—	16,904.90	—	—	—	—
Total	42,566,613.87	100.00	—	42,566,613.87	26,382,833.79	100.00	—	26,382,833.79

(2) Top 5 prepayments

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

15. INVENTORIES

(1) Breakdown

Item	Book balance	Closing balance		Closing Balance of the previous year		
		Provision for impairment of inventories	Book balance	Book Balance	Provision for impairment of inventories	Book Balance
Raw materials	137,373,771.00	19,674,672.43	117,699,098.57	172,150,613.64	9,742,191.75	162,408,421.89
Work-in-progress	6,164,132.03	—	6,164,132.03	4,634,229.42	0.00	4,634,229.42
Finished goods	154,757,241.81	26,672,593.68	128,084,648.13	168,442,205.00	29,481,423.72	138,960,781.28
Contract performance costs	82,252,567.57	—	82,252,567.57	53,124,108.20	0.00	53,124,108.20
Materials under subcontract processing	7,533,460.68	329,242.42	7,204,218.26	3,527,425.29	0.00	3,527,425.29
Total	<u>388,081,173.09</u>	<u>46,676,508.53</u>	<u>341,404,664.56</u>	<u>401,878,581.55</u>	<u>39,223,615.47</u>	<u>362,654,966.08</u>

(2) Provision for impairment of inventories

1) Breakdown

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

16. LONG-TERM EQUITY INVESTMENTS

Item	Book balance	Closing balance		Opening balance		
		Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	<u>1,315,145.99</u>	<u>0.00</u>	<u>1,315,145.99</u>	<u>1,954,210.08</u>	<u>0.00</u>	<u>1,954,210.08</u>
Total	<u>1,315,145.99</u>	<u>0.00</u>	<u>1,315,145.99</u>	<u>1,954,210.08</u>	<u>0.00</u>	<u>1,954,210.08</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

17. CONSTRUCTION-IN-PROGRESS

Item	Book balance	Closing balance		Closing balance of the previous year		
		Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Modern agricultural science and technology demonstration base project	2,681,330.89		2,681,330.89	2,507,698.96		2,507,698.96
Management Center Construction Project for Nanbu County Poverty Alleviation Demonstration Base	0.00		0.00	1,476,989.99		1,476,989.99
Development and Application of High-Performance Pressure Compensation Irrigators	1,410,205.38		1,410,205.38	781,501.16		781,501.16
Water-saving equipment production and construction project	1,283,647.27		1,283,647.27	0.00		0.00
Infrastructure construction project at Linze Plant	1,077,169.78		1,077,169.78	0.00		0.00
Domestic Development and Application of Special Films for Cotton Harvesting and Packaging Machines	0.00		0.00	681,415.88		681,415.88
Elevator Technical Transformation Project	0.00		0.00	167,001.43		167,001.43
Total	<u>6,452,353.32</u>	<u>0.00</u>	<u>6,452,353.32</u>	<u>5,614,607.42</u>	<u>0.00</u>	<u>5,614,607.42</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

18. PRODUCING BIO-ASSETS

(1) Breakdown

Item	Planting Citrus trees	Total
Initial carrying amount		
Opening balance	29,401,654.64	29,401,654.64
Increase during the period	5,908,709.40	5,908,709.40
1) Additions	5,908,709.40	5,908,709.40
Decrease during the period	32,839.10	32,839.10
1) Others	32,839.10	32,839.10
Closing balance	35,277,524.94	35,277,524.94
Accumulated depreciation		
Opening balance	299,410.27	299,410.27
Increase during the period	1,834,130.69	1,834,130.69
1) Provision	1,834,130.69	1,834,130.69
Decrease during the period		
1) Disposal		
Closing balance	2,133,540.96	2,133,540.96
Provision for impairment		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Carrying amount		
Carrying amount at the end of the period	<u>33,143,983.98</u>	<u>33,143,983.98</u>
Carrying amount at the beginning of the period	<u>29,102,244.37</u>	<u>29,102,244.37</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

19. RIGHT-OF-USE ASSETS

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

NOTES TO FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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	22,097,805.76	2,148,642.01	21,661,937.83	2,395,956.11
Deductible losses	<u>4,015,600.12</u>	<u>100,390.00</u>	<u>4,209,423.58</u>	<u>210,471.18</u>
Total	<u><u>26,113,405.88</u></u>	<u><u>2,249,032.01</u></u>	<u><u>25,871,361.41</u></u>	<u><u>2,606,427.29</u></u>

21. TRADE PAYABLES

Aging analysis of trade payables based on the actual month of occurrence is as follows:

Age	Closing balance	Opening balance
Within 1 year	216,945,880.19	156,015,767.79
1–2 years	82,917,135.29	11,653,110.30
2–3 years	13,897,895.97	40,552,615.51
Over 3 years	<u>19,333,405.35</u>	<u>16,077,885.13</u>
Total	<u><u>333,094,316.80</u></u>	<u><u>224,299,378.73</u></u>

22. TAX AND LEVY PAYABLES

Item	Closing balance	Opening balance
EIT	238,288.63	132,303.07
VAT	7,242,492.51	2,050,265.27
Individual income tax withheld	254,106.05	212,366.46
Stamp duty	142,657.06	80,666.01
City maintenance and construction tax	203,389.24	174,458.62
Education surcharge	90,422.90	73,761.27
Local education surcharge	60,325.54	57,448.24
Land use tax	0.00	0.00
Environmental protection tax	0.00	14,267.33
Property tax	<u>40,492.70</u>	<u>35,872.16</u>
Total	<u><u>8,272,174.64</u></u>	<u><u>2,831,408.40</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

Operating income

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

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

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

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

Gross profit and gross profit margin

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

Cost of sales

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

Distribution costs

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

Administrative expenses

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

Finance income/costs

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

Assets impairment loss

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

Total loss

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

Net loss attributable to owners of the parent company

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

FUTURE PROSPECTS

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

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

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

In close pursuit of development pattern of “one core business and two new businesses (一主兩新)” proposed by Tianye Group, the Company will position “modern agriculture” as its main business and strengthen its strategic development model of comprehensive agricultural services based on the three core businesses of “products, engineering, and trade.” It will quickly complete the transformation from “a simple manufacturer” to “a comprehensive service provider”, with rich practical experience as an early listed water-saving enterprise in the PRC. In order to continuously establish an image of “Water-saving irrigation in Xinjiang tops those elsewhere in China, and Water-saving irrigation in Xinjiang Production and Construction Group (XPCC) tops that in Xinjiang, while Water-saving irrigation in XPCC Eighth Agricultural Division tops that in XPCC”, as a water-saving irrigation industry leader in the PRC, the Company will actively

implement the requirements of the national, Xinjiang Autonomous Region, and XPCC and division Party Committees on water resource development, especially water-saving industries. Benchmarking against international first-class standards, we will focus on innovative research in the whole process of “intake, storage, transportation, and irrigation” of irrigation water, lead the establishment of a corps-level high-efficiency water-saving industrial innovation research center, and build an integrated agricultural service platform covering the entire industry chain of “planting, water irrigation, fertilizer, pesticide, gas fertilizer, machinery, processing, and sales” covering millions of mu of land. Gateway to XPCC Eighth Agricultural Division and capturing opportunities in Xinjiang, we will build ourselves into a ten-billion-yuan level modern water-saving agricultural industry group in the XPCC.

INDEBTEDNESS

Borrowings

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

Commitments

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

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

Financial resources

The Group currently finances its operations mainly by internal generated funds, bank loans and cash on hand. The Directors are of the view that, in the long run, the Group will generate its liquidity from business operations and will consider making use of further equity finances, when necessary.

Capital expenditures

For the year ended 31st December, 2022, capital expenditures of the Group in respect of acquisition of property, plant and equipment, deposit paid for acquisition of property, plant and equipment and prepaid lease payment amounted to approximately RMB2,341,000 (2021: approximately RMB926,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2022, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 19.95% (2021: 8.21%). This was primarily due to the fact that the Group's bank loan amounted to RMB89,106,000 in 2022 and RMB43,418,000 in 2021. The Directors confirm that the Group financed its operations principally from cash generated from its business operations and banking facilities and had not experienced any liquidity problem for the year ended 31st December, 2022.

Funding and treasury policies

The Directors confirm that the Group's funding and treasury policies are mainly based on its cash flow forecast and budgetary system that monitor and control the sources and applications of funds.

The objectives of the Group's funding and treasury policies are to prevent the unreasonable utilisation of funding, enhance the effectiveness on the utilisation of working capital, ensure the punctual repayment of the Group's liabilities upon the relevant maturity date and ensure liquidity of the working capital, so as to optimise the Group's net cash flow position.

Contingent liabilities

As at 31st December, 2022, the Group had no contingent liabilities (2021: Nil).

Events after the reporting period

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

- (1) On 25 November 2022, the Company (as the purchaser) and Xinjiang Tianhe Yida Investment Co., Ltd.* (新疆天合意達投資有限公司) (as the vendor) entered into an acquisition agreement, pursuant to which the Company has conditionally agreed to acquire, and Xinjiang Tianhe Yida Investment Co., Ltd.* (新疆天合意達投資有限公司) has conditionally agreed to sell, its 51% equity interest in Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* (石河子市絲路天楊預拌砂有限公司) at a consideration of RMB15,647,200. The above transaction had been approved by the Shareholders of the Company on 3 February 2023.

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

- (2) On 13 February 2023, Xinjiang Tianye Company Limited (as the purchaser) and the Company (as the vendor) entered into an asset transfer agreement, pursuant to which the Company has conditionally agreed to sell, and Xinjiang Tianye Company Limited has agreed to conditionally acquire, a number of buildings (structures) and equipment owned by the Company (a total of 24 items) at a consideration of RMB26,608,400. The above transaction shall take effect upon the approval of the Shareholders at the extraordinary general meeting held by the Company on 31 March 2023. As of the date of this announcement, the above transaction had not been completed.

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

Exposure to fluctuations in exchange rates and related hedges

The Group's present operations are mainly carried on in the PRC and all of the Group's monetary assets, loans and transactions are principally denominated in Renminbi ("RMB"). During the year, there was no significant fluctuation in the exchange rate of RMB and the Group was not exposed to any significant foreign currency exchange risk in its operations. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure in both 2021 and 2022.

EMPLOYEE AND SALARY POLICIES

The Directors considered the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 31st December, 2022, the Group had 384 employees (2021: 527) in total.

RETIREMENT BENEFIT SCHEME AND OTHER BENEFITS

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Group has no obligation for the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Group in connection with these retirement benefit plans were approximately RMB8,012,000 for the year ended 31st December, 2022.

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

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

MATERIAL INVESTMENTS

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

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2022 (2021: 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, 2022, the Group has complied with the code provisions in the “Corporate Governance Code and Corporate Governance Report” (the “**Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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, 2022.

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

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, 2022.

AUDIT COMMITTEE

The audit committee of the Company reviewed the Group’s consolidated annual result for the year ended 31st December, 2022, including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters as well as the audited financial statements for the year ended 31st December, 2022 with the management.

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, 2022.

THE ANNUAL REPORT

The annual report of the Company for the year ended 31st December, 2022 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 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Li He (Chairman), Ms. Yang Ling and Mr. Jiang Dayong, and four independent non-executive Directors, namely Mr. Li Lianjun, Ms. Gu Li, Mr. Hung Ee Tek and Mr. He Xinlin.

* *For identification purpose only*