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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)

**ANNOUNCEMENT OF INTERIM RESULT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2023**

SUMMARY

- Total operating revenue for the six months ended 30th June, 2023 was approximately RMB928,462,000, representing an increase of approximately 37.93% from approximately RMB673,151,000 for the corresponding period in the previous year.
- Unaudited net profit for the six months ended 30th June, 2023 was approximately RMB7,613,000, while net loss for the corresponding period in the previous year was approximately RMB23,812,000. The unaudited net profit attributable to owners of the parent company for the six months ended 30th June, 2023 was approximately RMB5,020,000, as compared with the net loss of approximately RMB24,514,000 for the corresponding period in the previous year.
- Basic earnings per share for the six months ended 30th June, 2023 was approximately RMB0.00966 (basic loss per share for the corresponding period in 2022: RMB0.04719).
- The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2023 (for the corresponding period in 2022: nil).

FOR THE SIX MONTHS ENDED 30TH JUNE, 2023

The board (the “Board”) of directors (the “Directors”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “Company”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2023, together with the comparative figures for the corresponding period in 2022. These unaudited interim financial statements have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30th June,	
	<i>Notes</i>	2023 <i>RMB'000</i> (unaudited)	2022 <i>RMB'000</i> (unaudited)
1. Total operating revenue	3	928,462	673,151
Including: Other operating income		12,168	41,147
Income from principal businesses		916,294	632,004
2. Total operating cost		928,477	698,478
Including: Cost of sales		889,400	656,304
Business taxes and surcharges		1,630	1,593
Distribution costs		13,165	16,864
Administrative expenses		21,933	19,046
Research and development expenses		2,461	3,729
Finance (income)/costs		(111)	958
Credit impairment loss		(1)	(15)
Assets impairment loss		—	—
Add: Other income		2,915	1,805
Gain/(loss) from disposal of assets		5,062	(162)
Investment loss		—	(319)
3. Operating profits/(losses)		7,962	(24,003)
Add: Non-operating income		434	754
Non-operating expenses		(183)	(52)
4. Total profits	5	8,213	(23,301)
Less: Income tax expenses	6	(600)	(511)
5. Net profit/(loss)		7,613	(23,812)
Net (loss)/profit attributable to owners of the parent company		5,020	(24,514)
Profit/(loss) attributable to minority interests		2,593	702

		For the six months ended	
		30th June,	
		2023	2022
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
		RMB	RMB
6. Profit/(loss) per share — basic	7	0.00966	(0.04719)
7. Other comprehensive income		—	—
8. Total comprehensive profit/(loss)		7,613	(23,812)
Total comprehensive profit/(loss) attributable to owners of the parent company		5,020	(24,514)
Total comprehensive loss attributable to minority interests		2,593	702
		<hr/>	<hr/>
9. Dividend	8	—	—
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30th June, 2023 <i>RMB'000</i> (unaudited)	As at 31st December, 2022 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Current assets:			
Cash		196,226	238,746
Trade receivables	9	187,099	124,847
Receivables financing		8,842	8,510
Prepayments		140,114	42,567
Other receivables		32,978	31,437
Inventories		382,427	341,405
Other current assets		10,508	7,078
		958,194	794,590
Total current assets			
Non-current assets:			
Long-term equity investments		1,315	1,315
Fixed assets		95,610	115,850
Construction in progress		18,978	6,452
Biological assets for production	10	34,568	33,144
Right-of-use assets		41,261	41,691
Intangible assets		18,459	17,423
Development expenses		15,831	10,569
Long-term deferred expenses		4,131	6,077
Deferred income tax assets		2,315	2,249
Other non-current assets		—	50
		232,468	234,820
Total non-current assets			
		1,190,662	1,029,410
Total assets			
Current liabilities:			
Short-term borrowings		76,627	89,106
Trade payables	11	329,596	333,094
Contract liabilities		163,162	49,131
Employee remuneration payables		5,758	5,923
Taxes and levy payables		15,559	8,272
Other payables		73,934	33,141
Non-current liabilities due within one year		138	2,677
Other current liabilities		—	3,802
		664,774	525,146
Total current liabilities			

	<i>Notes</i>	As at 30th June, 2023 RMB'000 (unaudited)	As at 31st December, 2022 RMB'000 (audited)
Non-current liabilities:			
Lease liabilities		43,632	41,242
Deferred income		13,409	16,225
		<hr/>	<hr/>
Total non-current liabilities		57,041	57,467
		<hr/>	<hr/>
Total liabilities		721,815	582,613
		<hr/>	<hr/>
Equity of owners:			
Share capital		519,522	519,522
Capital reserve		26,099	26,456
Surplus reserves		34,724	34,724
Retained earnings		(149,671)	(154,691)
		<hr/>	<hr/>
Total equity attributable to owners of the parent company		430,674	426,011
Minority interests		38,173	20,786
		<hr/>	<hr/>
Total equity of owners		468,847	446,797
		<hr/>	<hr/>
Total liabilities and equity of owners		<u>1,190,662</u>	<u>1,029,410</u>

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30th June, 2023

	Share capital <i>RMB'000</i> (unaudited)	Capital reserves <i>RMB'000</i> (unaudited)	Surplus reserves <i>RMB'000</i> (unaudited)	Retained earnings <i>RMB'000</i> (unaudited)	Total equity attributable to owners of the parent company <i>RMB'000</i> (unaudited)	Minority interests <i>RMB'000</i> (unaudited)	Total equity <i>RMB'000</i> (unaudited)
At 1st January, 2022	519,522	26,198	34,724	(76,515)	503,929	25,163	529,092
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(24,514)</u>	<u>(24,514)</u>	<u>702</u>	<u>(23,812)</u>
At 30th June, 2022	<u>519,522</u>	<u>26,198</u>	<u>34,724</u>	<u>(101,029)</u>	<u>479,415</u>	<u>25,865</u>	<u>505,280</u>
At 1st January, 2023	519,522	26,456	34,724	(154,691)	426,011	20,786	446,797
Total comprehensive loss for the period	<u>—</u>	<u>(357)</u>	<u>—</u>	<u>5,020</u>	<u>4,663</u>	<u>17,387</u>	<u>22,050</u>
At 30th June, 2023	<u>519,522</u>	<u>26,099</u>	<u>34,724</u>	<u>(149,671)</u>	<u>430,674</u>	<u>38,173</u>	<u>468,847</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2023

	2023 RMB'000 (unaudited)	2022 <i>RMB'000</i> (unaudited)
Net cash flow generated from operating activities	(60,277)	(36,171)
Net cash flow generated from investing activities	26,657	(150)
Net cash flow generated from financing activities	(8,900)	14,636
Net increase in cash and cash equivalents	(42,520)	(21,685)
Balance of cash and cash equivalents at 1st January	238,746	148,328
Balance of cash and cash equivalents at 30th June	196,226	126,643

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2023

1. GENERAL

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, as well as the land-based agricultural services, 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.

The Company included 14 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”), Xinjiang Hongrui Huixin New Material Technology Co., Ltd.* (hereinafter referred to as “Hongrui New Material”), Xinjiang Tianye Modern Agricultural Technology Co., Ltd. (hereinafter referred to as “Agricultural Technology”) and Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* 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.

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

Note:

1. The company name of Urumuqi Hongrui Plastic Trade Limited changed to Xinjiang Hongrui Huixin New Material Technology Co., Ltd. on 12 May 2023.

2. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATE

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

The accounting policies applied are consistent with those as referred to in the annual financial statements for the year ended 31st December, 2022, save for the new and amended standards as set forth below.

3. TOTAL OPERATING REVENUE

Total operating revenue is measured at the fair value of the consideration received and receivables for goods sold to external customers, net of value-added tax, returns and discounts, and the consideration received and receivables for the services provided during the period, and is analysed as follows:

	For the six months ended	
	30th June,	
	2023	2022
	RMB'000	RMB'000
Drip tapes and drip assemblies	41,990	27,211
PVC/PE pipelines	115,899	105,772
Income from trading	462,623	427,746
Provision of installation services	266,857	89,839
Building materials products	28,925	—
Other operating income	12,168	22,583
	<u>928,462</u>	<u>673,151</u>

Notes:

1. According to the sales mix of the Group, drip assemblies are usually sold as auxiliary products of drip films. Therefore, drip films and drip assemblies are classified under the same category.
2. Revenue of other business was primarily attributable to income derived from external processing of spare and accessory parts by mechanical workshops and gain from fixed assets leasing.
3. Building materials products are purchased from Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.*

4. BUSINESS AND GEOGRAPHICAL SEGMENT

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

5. TOTAL PROFITS

	For the six months ended 30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Total profits have been arrived at after charging:		
Depreciation	14,308	5,059
and after crediting:		
Bank interest income	<u>1,568</u>	<u>483</u>

6. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Enterprise Income Tax (“EIT”)	<u>600</u>	<u>511</u>

- (1) On 19th October, 2020, the Company obtained the high-tech enterprise certificate with the certificate number of GR202065000139 for a term of three years and is entitled to a preferential tax treatment of enterprise income tax at a reduced tax rate of 15% in 2023.
- (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 2023 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, Xiying 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.

7. EARNINGS PER SHARE — BASIC

The calculations of basic earnings per share for the six months ended 30th June, 2023 are based on the net profit attributable to the owners of the parent company of approximately RMB5,020,000 (net loss for the corresponding period in 2022: approximately RMB24,514,000) and the weight average number of 519,521,560 (for the corresponding period in 2022: 519,521,560 ordinary shares) ordinary shares in issue during the period.

No diluted earnings per share has been presented for the two periods ended 30th June, 2022 and 2023 as there was no dilutive share outstanding during both periods.

8. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30th June, 2023 (for the corresponding period in 2022: nil).

9. TRADE RECEIVABLES

(1) Aging analysis

Age	As at 30th June, 2023 RMB'000	As at 31st December, 2022 RMB'000
Within 1 year	127,814	60,088
1–2 years	32,177	32,177
2–3 years	16,380	16,380
3–4 years	19,585	19,585
4–5 years	25,637	31,111
Over 5 years	29,976	29,976
Total	<u>251,569</u>	<u>189,317</u>

The trade receivables are based on the month when amounts are actually recorded.

(2) Breakdown by category

Category	As at 30th June, 2023				Carrying amount
	Book balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	28,426	11.30	27,845	97.96	581
Bad-debt provision made on a group basis	<u>223,142</u>	<u>88.70</u>	<u>36,625</u>	<u>16.41</u>	<u>186,518</u>
Total	<u><u>251,568</u></u>	<u><u>100.00</u></u>	<u><u>64,470</u></u>	<u><u>25.63</u></u>	<u><u>187,099</u></u>

Category	As at 31st December, 2022				Carrying amount
	Book balance		Bad-debt provision		
	Amount	Percentage (%)	Amount	Percentage of provision (%)	
Individually significant and for which bad debt provision has been separately made	28,426	15.02	27,845	97.95	581
Bad-debt provision made on a group basis	<u>160,891</u>	<u>85.98</u>	<u>36,625</u>	<u>22.76</u>	<u>124,266</u>
Total	<u><u>189,317</u></u>	<u><u>100.00</u></u>	<u><u>64,470</u></u>	<u><u>34.05</u></u>	<u><u>124,847</u></u>

10. PRODUCTIVE BIOLOGICAL ASSETS

Breakdown

Item	Planting Tangerines <i>RMB'000</i>	Total
Initial carrying amount		
Opening balance	33,144	33,144
Increase during the period		
1) Additions	1,424	1,424
Decrease during the period		
1) Disposal		
Closing balance		
Accumulated depreciation		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Provision for impairment		
Opening balance		
Increase during the period		
1) Provision		
Decrease during the period		
1) Disposal		
Closing balance		
Carrying amount	_____	_____
Carrying amount at the end of the period	<u>34,568</u>	<u>34,568</u>
Carrying amount at the beginning of the period	<u>33,144</u>	<u>33,144</u>

11. TRADE PAYABLES

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

	As at 30th June, 2023 <i>RMB'000</i>	As at 31st December, 2022 <i>RMB'000</i>
Age:		
within 1 year	214,668	216,946
1–2 years	82,046	82,917
2–3 years	13,752	13,898
Over 3 years	19,130	19,333
	<u>329,596</u>	<u>333,094</u>

The trade payables are based on the month when amounts are actually recorded.

12. CAPITAL COMMITMENTS

	As at 30th June, 2023 <i>RMB'000</i>	As at 31st December, 2022 <i>RMB'000</i>
Capital expenditure of the Group in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>8,900</u>	<u>750</u>

13. CONNECTED TRANSACTIONS

(a) Transactions

During the period, the Group had the following significant transactions with Xinjiang Tianye (Group) Limited (新疆天業(集團)有限公司) (“Tianye Holdings”, together with its subsidiaries other than the Group, “Tianye Holdings Group”):

	For the six months ended 30th June, 2023 <i>RMB'000</i>		2022 <i>RMB'000</i>
Nature of transaction/business			
Sales of finished goods	12,198		9,260
Purchase of raw materials	32,664		31,389
Rental income from premises	116		203
Rental of plant and machineries	106		129
	<u>106</u>		<u>129</u>

(b) Compensation to key management personnel

The remuneration paid to the Directors, supervisors and other key management personnel of the Company are as follows:

	For the six months ended	
	30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Directors and supervisors	285	224
Other key management personnel	745	599
Total	<u>1,030</u>	<u>823</u>

14. MAJOR TRANSACTIONS/BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES IN THE PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“State-controlled Entities” and each a “State-controlled Entity”). In addition, the Group itself is part of a larger group of companies under Tianye Holdings which is controlled by the PRC government.

The Group conducts business with other State-controlled Entities. The Directors consider that those State-controlled Entities are independent third parties so far as the Group’s business transactions with them are concerned.

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

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

(a) Material transactions

	For the six months ended	
	30th June,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Nature of transaction		
Sales of goods	117,869	91,765
Purchase of raw materials	51,667	45,167
Interest expenses	1,394	1,134
	<u>117,869</u>	<u>91,765</u>

(b) Material balances

	As at 30th June, 2023 <i>RMB'000</i>	As at 30th June, 2022 <i>RMB'000</i>
Bank balances	196,226	126,643
Trade and other receivables	32,978	26,171
Trade and other payables	73,935	38,620

Except as disclosed above, the Directors are of the opinion that transactions with other State-controlled Entities are not significant to the Group's operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2023, the unaudited total operating revenue of the Group was approximately RMB928,462,000, representing an increase of approximately 37.93% from approximately RMB673,151,000 for the corresponding period in the previous year. The increase in the total operating revenue was mainly due to an increase in sales revenue of the Company as a result of an increase in revenue from our engineering projects.

Gross Profit

For the six months ended 30th June, 2023, the unaudited gross profit was approximately RMB39,062,000, with gross profit margin of approximately 4.21%, while the unaudited gross profit and gross profit margin for the corresponding period in the previous year were approximately RMB16,847,000 and approximately 2.50% respectively, representing an increase of approximately 1.71% in gross profit margin. This was mainly due to the increase in the gross profit and the substantial decrease in the price of raw materials for the products of the Group during the period. Revenue from trading activities slightly decreased to approximately RMB462,623,000 from approximately RMB427,746,000 for the corresponding period in the previous year, accounting for 49.83% of the total operating revenue instead of 63.54%.

Operating costs and expenses

Unaudited distribution costs for the six months ended 30th June, 2023 and the corresponding period in the previous year were approximately RMB13,165,000 and approximately RMB16,863,500 respectively, representing a decrease of approximately RMB3,698,500 or approximately 21.93%. The decrease in distribution costs was mainly due to the substantial decrease in the rental fees and loading and unloading labour fees.

Unaudited administrative expenses for the six months ended 30th June, 2023 and the corresponding period in the previous year were approximately RMB21,933,000 and approximately RMB19,046,000 respectively, representing an increase of approximately RMB2,887,000 or approximately 15.16%.

Unaudited finance costs for the six months ended 30th June, 2023 was approximately RMB-111,000, representing a decrease of approximately RMB1,069,000 or approximately 111.59% as compared with the unaudited finance costs of approximately RMB958,000 for the corresponding period in the previous year. The decrease in finance costs was mainly due to the increase in interests income.

Assets impairment loss

Unaudited assets impairment loss for the six months ended 30th June, 2023 and the corresponding period in the previous year was RMB0 and RMB0, respectively.

Credit impairment loss

For the six months ended 30th June, 2023 and the corresponding period in the previous year, the Group's unaudited reversal of credit impairment loss was RMB3.69 and RMB15,000, respectively.

Net loss attributable to owners of the parent company

For the six months ended 30th June, 2023, the Group recorded the unaudited net profit attributable to owners of the parent company of approximately RMB5,020,000 as compared with the net loss of approximately RMB24,514,000 for the corresponding period in the previous year. The net profit recorded was mainly due to the increase in the gain from disposal of assets and the gross profit of engineering projects and products.

Future prospects

The Group strived to grasp new opportunities for rural revitalization and the construction of an agricultural powerhouse, with the core direction of “water-saving priority and digital empowerment” serving the development of the entire industrial chain of “stabilizing food supply, expanding oil production, improving cotton quality, and producing high-quality fruits”. With water-saving digital agricultural services as the key driver, the Group established a foundation in the Eighth Division, made breakthroughs in southern Xinjiang, utilized areas outside Xinjiang and abroad as supplement, and strategically developed modern agricultural industry clusters, including products featuring “irrigation, fertilization, and salination”, agricultural water and soil engineering, digital agricultural services for water-saving, deep processing of agricultural products and agricultural trade logistics. The Group aims to achieve specialized, intensive, and large-scale development through financial innovation, scientific research innovation, and model innovation, so as to build itself as a comprehensive digital water-saving agricultural service provider.

Capitalizing on the “rural revitalization” strategy, the Group will actively promote the development of our five major business segments to expand the Company's business operations. Special task forces will be established for key projects such as southern expansion, the “qanat” project in the new era, modern agricultural demonstration bases, the Henan Xinxiang project, and the Baicheng project, so as to lay a solid foundation for incremental business. Furthermore, efforts will be made to stabilize existing businesses while actively exploring new business to steadily achieve this year's target tasks. This provides a solid guarantee for the Company to achieve higher quality, greater efficiency, and sustainable development.

Liquidity, financial resources and capital structure

During the period, the Group raised its funding principally from cash generated from its business operations.

As at 30th June, 2023, the Group had gearing ratio (which is defined as total borrowings over total equity) of 16.34% (as at 31st December, 2022: 11.68%). The Directors confirm that the Group financed its operations principally from cash generated from its business operations and had not experienced any liquidity problem for the six months ended 30th June, 2023.

Contingent Liabilities

As at 30th June, 2023, the Company did not have any significant contingent liabilities.

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC, and all of the Group's receipts and payments in relation to the operations are basically denominated in Renminbi. In this respect, there is no significant currency mismatch in its operational cashflows and the Group is not exposed to any significant foreign currency exchange risk in its operations.

Employee and salary policies

The Directors consider the quality of employees as the most critical factor in maintaining the Group's business growth and enhancing our profitability. The Group offers salary packages with reference to the performance and working experience of individual employees, and the prevailing market rates. As at 30th June, 2023, the Group had about 381 full-time employees.

Retirement benefit scheme and other benefits

The Group provides employee benefits covering old-aged insurance scheme, medical insurance scheme, unemployment insurance scheme, labour injury insurance scheme and maternity insurance scheme (collectively under the social insurance scheme) for its staff, whereby the Group is required to make monthly contributions to these schemes. The Company has no obligation in relation to the payment of retirement and other post-retirement benefits for employees save for the monthly contributions described above. Expenses incurred by the Company in connection with these retirement benefit plans were approximately RMB6,884,000 for the six months ended 30th June, 2023.

Housing pension scheme

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

Future plan for material investment

As at 30th June, 2023, the Group had no plans for material investments.

Material acquisitions and disposals

- (1) On 25th November, 2022, the Company (as the Purchaser) and Xinjiang Tianhe Yida Investment Co., Ltd.* (as the Vendor) entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to purchase, and Xinjiang Tianhe Yida Investment Co., Ltd. has conditionally agreed to sell, the 51% equity interests of Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.* at a consideration of RMB15,647,200. The aforementioned transaction was approved by the shareholders of the Company on 3rd February, 2023. For further details, please refer to the circular of the Company dated 12th January, 2023, as well as the announcements dated 1st December, 2022 and 25th November, 2022. The equity transfer under the acquisition was completed on 28th February, 2023.
- (2) on 13th February, 2023, Xinjiang Tianye Company Limited*, as the Purchaser, entered into the Asset Transfer Agreement with the Company, as the Vendor, pursuant to which the Company has conditionally agreed to sell, and Xinjiang Tianye Company Limited has conditionally agreed to acquire, a number of housing construction (structures) buildings and equipment owned by the Company (a total of 24 items) at a consideration of RMB26,608,400. The transaction has obtained the approval from the shareholders of the Company at the extraordinary general meeting held by the Company on 31st March, 2023 for the completion of asset transfer.

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

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

As at 30th June, 2023, the interests and short positions of the Directors, supervisors (the “Supervisors”) and chief executive of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the required standard of dealings by Directors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) under Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30th June, 2023 was the Company, its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors, Supervisors or chief executive of the Company, including their respective associates, to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other associated corporations.

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

(A) Domestic Shareholders

As at 30th June, 2023, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that the following persons or entities (other than Directors, Supervisors or chief executive) had notified the Company of relevant interests and short positions in the shares or underlying shares of the Company:

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

Notes:

1. "L" denotes the person's/entity's long position in the shares.
2. The approximate percentage of shareholding is calculated with reference to the total issued shares of 519,521,560 shares (including domestic shares and H shares).
3. The domestic shares held by Tianye Company represents approximately 63.75% of the total domestic shares in issue.
4. 202,164,995 domestic shares were held by Tianye Company. By virtue of the SFO, Tianye Holdings is interested in approximately 45.14% of the registered capital of Tianye Company.

(B) H Shareholders

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

Notes:

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

Save as disclosed above, as at 30th June, 2023, the Directors, Supervisors and chief executive of the Company were not aware of any persons (other than the Directors, Supervisors and chief executive of the Company) who had an interest and short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30th June, 2023, the Directors are not aware of any business or interests of the Directors, the Supervisors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

AUDIT COMMITTEE

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

CODE ON CORPORATE GOVERNANCE PRACTICES

By applying rigorous corporate governance practices, the Group believes that its accountability and transparency will be improved which further instills confidence in the shareholders and the public in the Group. Throughout the six months ended 30th June, 2023, the Group has complied with the requirements of the “Code on Corporate Governance Practices” as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors of the Company. Following specific enquiry by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standards under the Model Code for the six months ended 30th June, 2023.

PRE-EMPTIVE RIGHTS

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

EVENTS AFTER THE SIX MONTHS ENDED 30TH JUNE, 2023

There were no events of the Company after the six months ended 30th June, 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and/or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities for the six months ended 30th June, 2023.

By order of the Board
Xinjiang Tianye Water Saving Irrigation System Company Limited*
Li He
Chairman

Xinjiang, the PRC, 16th August, 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, Mr. He Xinlin, Ms. Gu Li and Mr. Hung Ee Tek.

* *For identification purpose only*