

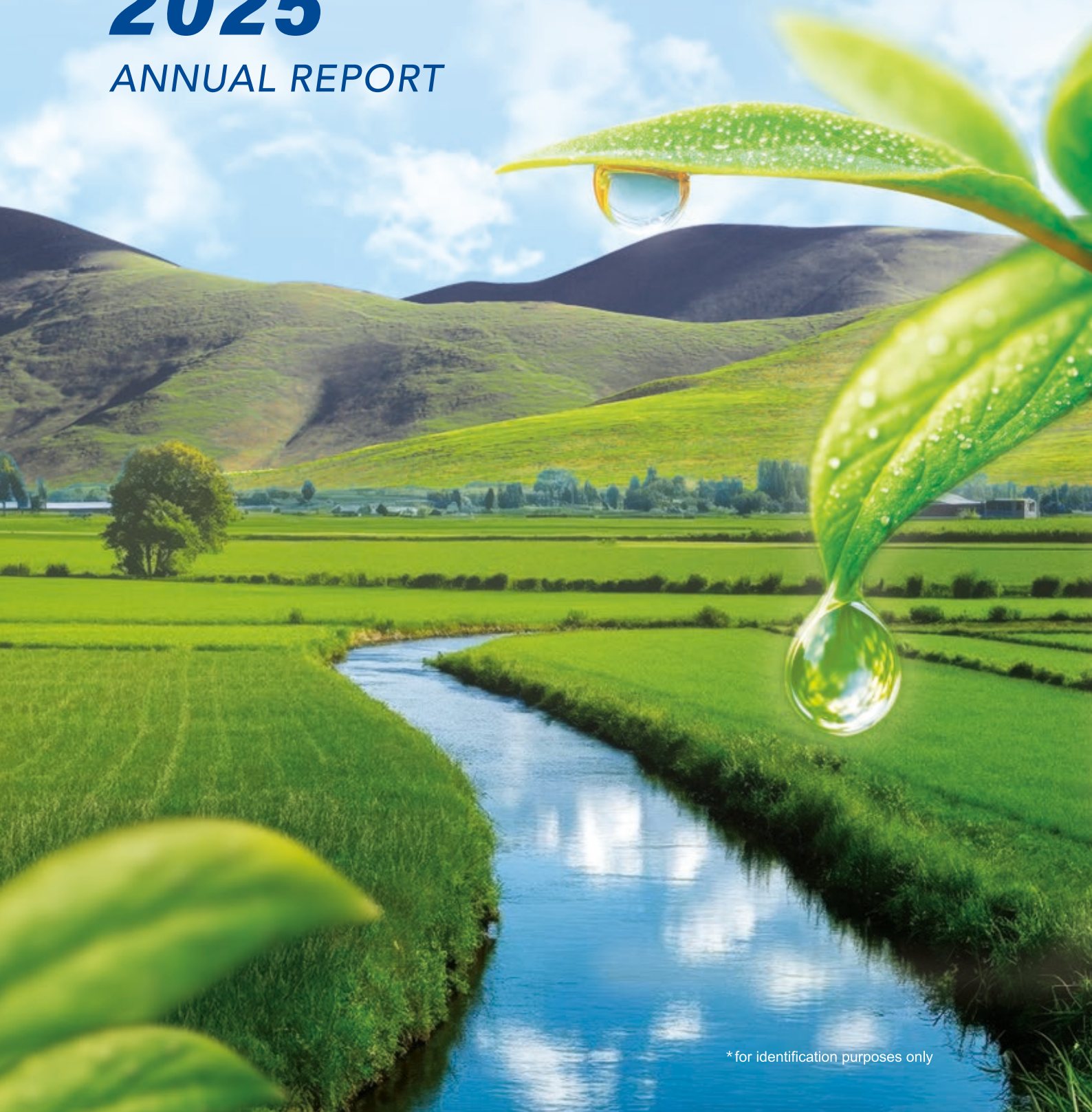


新疆天業節水灌溉股份有限公司
Xinjiang Tianye Water Saving Irrigation
System Company Limited*

Stock Code: 840

2025

ANNUAL REPORT



* for identification purposes only

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Corporate Information

DIRECTORS

Executive Directors

Mr. Zhou Gang (*Chairman*)
Mr. Jiang Dayong
Mr. Wang Dongwei
(*appointed on 12th June, 2025*)
Mr. Li Zheng (*appointed on 12th June, 2025*)
Mr. Han Gen (*resigned on 12th June, 2025*)

Independent non-executive Directors

Ms. Gu Li
Mr. Hung Ee Tek
Mr. He Xinlin
Mr. Li Lianjun (*resigned on 12th June, 2025*)

SUPERVISORS (*abolished on 12th June, 2025*)

Ms. Chen Ming (*resigned on 12th June, 2025*)
Mr. Xie Xinghui (*resigned on 12th June, 2025*)
Mr. Chen Cailai (*resigned on 12th June, 2025*)

QUALIFIED ACCOUNTANT

Mr. Xiang Duo Wu

COMPANY SECRETARY

Ms. Chan Ching Yi

COMPLIANCE OFFICER

Mr. Yang Wan Sen

AUDIT COMMITTEE

Ms. Gu Li (*Chairman*)
Mr. Hung Ee Tek
Mr. He Xinlin (*appointed on 12th June, 2025*)
Mr. Li Lianjun (*resigned on 12th June, 2025*)

REMUNERATION COMMITTEE

Mr. He Xinlin (*Chairman*)
Mr. Li Zheng (*appointed on 12th June, 2025*)
Mr. Hung Ee Tek (*appointed on 12th June, 2025*)
Mr. Li Lianjun (*resigned on 12th June, 2025*)
Mr. Han Gen (*resigned on 12th June, 2025*)

NOMINATION COMMITTEE

Mr. He Xinlin (*Chairman*)
Mr. Zhou Gang
Ms. Gu Li (*appointed on 12th June, 2025*)
Mr. Li Lianjun (*resigned on 12th June, 2025*)

AUDITOR

BDO China SHU LUN PAN
Certified Public Accountants LLP
4th Floor, No. 61, Nanjing East Road,
Huangpu District,
Shanghai
People's Republic of China ("PRC")

HONG KONG LEGAL ADVISER

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F, World-Wide House
 Central
 Hong Kong

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

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

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

STOCK CODE

00840

WEBSITE

<https://www.tianyejieshui.cn/>

Chairman's Statement

Dear **Shareholders**,

“ On behalf of the board of Directors, I hereby present the report of Xinjiang Tianye Water Saving Irrigation System Company Limited together with its subsidiaries for the year ended 31st December, 2025. ”

BUSINESS REVIEW

- The operating income for the year ended 31st December, 2025 was approximately RMB848,397,000, a decrease of approximately 43.39% from RMB1,498,562,000 for the year ended 31st December, 2024.
- The net loss attributable to the parent company for the year ended 31st December, 2025 was approximately RMB54,825,000 (2024: net loss attributable to the parent company of approximately RMB39,536,000).
- Basic and diluted loss per share for the year was approximately RMB0.11 (2024: loss of approximately RMB0.08).

FUTURE PROSPECTS

Driven by the continuous and in-depth advancement of the national food security strategy and rural revitalization strategy, core policies such as high-standard farmland construction, modernization of irrigation areas, agricultural water conservation and efficiency enhancement, and ecological protection and high-quality development of the Yellow River Basin continue to offer policy support for the industry. During the “15th Five-Year Plan” period, the agricultural modernization and water conservancy infrastructure upgrading plans of Xinjiang and the Xinjiang Production and Construction Corps have been implemented, creating broad long-term growth opportunities for the Company. Looking ahead, the Company will remain committed to its strategic goal of “building a leading domestic integrated service provider for the entire digital agriculture industry chain”, uphold its founding mission of “promoting water conservation, benefiting agriculture, and serving the nation through industry,” and adhere to the overall business principle of “pursuing progress while maintaining stability and improving quality and efficiency”. Guided by its strategic objectives, the Company will seize industry development opportunities and implement a market deployment strategy of “consolidating its foundation within Xinjiang, expanding its presence beyond Xinjiang, and exploring nationwide application scenarios”.

In the future, the Company will always adhere to an innovation-driven core strategy, leverage its high-tech enterprise and “Specialized, Refined, Distinctive, and Innovative” research and development platforms, and continuously increase investment in core technology research and development. It will focus on key areas such as large-diameter composite pipeline technology, efficient water-saving irrigation technology, and integrated smart agriculture service systems to advance technological breakthroughs and results transformation. The Company will deepen collaborations among industry, academia and research, actively participate in the formulation of industry standards, consolidate differentiated technological advantages and influence, and empower strategic implementation through technological upgrades. As part of its core operating strategy of improving quality and efficiency, the Company will continue optimizing its business structure, focus on high-margin segments such as EPC general contracting and smart agriculture system integration, and proactively optimize lowly-efficient business segments. It will strengthen full-chain supply management and cost control, mitigate raw material price volatility risks, refine management of accounts receivable and cash flow, and further enhance its asset-light operation model to achieve simultaneous growth in scale and profitability, thereby strengthening the operating foundation for strategic implementation. The Company will uphold compliance operations as the fundamental bottom line for its strategic development, strictly comply with the Hong Kong Stock Exchange Listing Rules and relevant domestic and overseas laws and regulations, and continuously improve corporate governance and internal control systems. It will enhance its ability to identify and respond to various operational risks, reinforce safety production and compliance safeguards, and ensure steady progress in strategic implementation. Ultimately, the Company will deliver sustained and stable operating results to reward all shareholders, contribute to national food security and rural revitalization, and actively promote the modernization of China's agriculture.

APPRECIATION

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

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Zhou Gang', enclosed within a faint rectangular border.

Zhou Gang

Chairman of the Board

Xinjiang, the PRC
31st March, 2026

Management Discussion and Analysis

RESULTS OF OPERATIONS

Operating income

For the year ended 31st December, 2025, operating income of the Group was approximately RMB848,397,000, representing a decrease of approximately 43.39% from approximately RMB1,498,562,000 for the year ended 31st December, 2024.

The following table summarises the breakdown of operating income of the Group for each of the two years ended 31st December, 2025 and 31st December, 2024 by products:

Category	For the year ended 31st December, 2025		For the year ended 31st December, 2024 (Adjusted)		Year- on-year percentage change %
	Operating income RMB'000	% to total operating income %	Operating income RMB'000	% to total operating income %	
Project income	436,682	51.47	578,052	38.57	-24.46
Trading income	187,862	22.14	501,560	33.47	-62.54
PVC/PE pipelines	159,208	18.77	301,008	20.09	-47.11
Building materials	12,328	1.45	21,888	1.46	-43.68
Drip films, drip tapes and drip assemblies	30,539	3.60	53,388	3.56	-42.80
Other operating income	21,778	2.57	42,666	2.85	-48.96
Total	848,397	100.00	1,498,562	100.00	-43.39

For the year ended 31st December, 2025, trading income decreased by 62.54% to approximately RMB187,862,000 from approximately RMB501,560,000 in the last year and project income decreased by 24.46% to approximately RMB436,682,000 from approximately RMB578,052,000 in the last year. Sales of drip films, drip tapes and drip assemblies decreased by approximately 42.80% to approximately RMB30,539,000, while sales of PVC/PE pipelines decreased by approximately 47.11% to approximately RMB159,208,000. At the same time, the sales volume of drip films, drip tapes and drip assemblies changed from approximately 5,768 tonnes to approximately 2,249 tonnes, while the sales volume of PVC/PE pipelines changed from approximately 44,069 tonnes in the last year to approximately 25,722 tonnes. The decline in income from the above categories was mainly attributable to the downsizing of high-standard farmland construction and water-saving construction projects, which led to a reduced demand for PVC/PE pipe materials, drip films, drip tapes and drip assemblies ancillary to these projects, as well as a corresponding decrease in the scale of related raw material trading business.

Gross profit and gross profit margin

Gross profit and gross profit margin slightly increased from approximately RMB50,433,000 and 3.37% for the year ended 31st December, 2024 to approximately RMB65,392,000 and 7.71% for the year ended 31st December, 2025, respectively, mainly attributable to the increase in gross profit of construction projects.

Cost of sales

For the year ended 31st December, 2025, cost of sales of the Group was approximately RMB783,005,000, representing a decrease of approximately 45.93% from approximately RMB1,448,129,000 for the year ended 31st December, 2024. Costs of sales for the year ended 31st December, 2025 comprised direct materials costs of approximately RMB668,295,000, direct labour costs of approximately RMB51,835,000 and production overhead of approximately RMB62,875,000, which accounted for approximately 85.35%, 6.62% and 8.03%, respectively, of the total costs of sales for year 2025. Costs of sales for the year ended 31st December, 2024 comprised direct materials costs of approximately RMB1,108,543,000, direct labour costs of approximately RMB255,160,000 and production overhead of approximately RMB84,426,000, which accounted for approximately 76.55%, 17.62% and 5.83%, respectively, of the total costs of sales for year 2024.

Distribution costs

Distribution costs were approximately RMB15,586,000 for the year ended 31st December, 2025, representing a decrease of approximately 23.19% from 2024. The amount accounted for approximately 1.84% of the total operating income for the year ended 31st December, 2025, which was approximately 0.49% slightly higher than its share of total operating income of approximately 1.35% in the last year. Distribution costs mainly comprised salaries benefits fees, sales service fee and sale commission, etc. The decrease in distribution costs in 2025 was mainly due to the decrease in annual sales income, which resulted in the decrease in sales service fee and sale commission.

Administrative expenses

Administrative expenses increased by approximately 17.28% from 2024 to approximately RMB66,022,000 for the year ended 31st December, 2025. The amount accounted for approximately 7.78% of total operating income for the year ended 31st December, 2025, which increased by approximately 4.02% from its share of total operating income of approximately 3.76% in the last year. For the year ended 31st December, 2025, the increase in administrative expenses was mainly due to the growth of remuneration and the increase in agency service fees.

Finance income/costs

Finance costs for the year ended 31st December, 2025 was approximately RMB3,084,000, consisting mainly of interest expenses and commission charges, net of interest income, while finance costs for the year ended 31st December, 2024 was approximately RMB4,026,000. The decrease of 23.39% was mainly due to the decrease in interest expense of 25.18% to approximately RMB3,382,000.

Assets impairment loss

The impairment loss for the year ended 31st December, 2025 was approximately RMB15,067,000, which was mainly generated from impairment loss for inventory impairment of approximately RMB11,520,000, fixed assets impairment loss of RMB1,032,000 and contract assets impairment loss of RMB2,515,000. The impairment loss for the year ended 31st December, 2024 was approximately RMB9,552,000, which was mainly generated from provision for impairment of inventories and contract performance impairment loss of approximately RMB8,524,000 and fixed assets impairment loss of RMB1,013,000. The reasons for the provision of various impairment losses were: a) the impairment of inventories was mainly attributable to the impairment of inventories provided for the decline of market value of the Company's drip products; b) the impairment of contract assets represented the impairment provision for engineering projects that have been completed but have not been settled.

Net loss

As a result of the factors discussed above, the Group's audited net loss for the year ended 31st December, 2025 was approximately RMB54,997,000, while the net total loss for the corresponding period of last year was approximately RMB44,799,000. The Group's net loss accounted for approximately 6.48% of its turnover for the year ended 31st December, 2025 and the total loss accounted for approximately 3.00% of its turnover for the corresponding period of last 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 had a net loss of approximately RMB54,825,000 for the year ended 31st December, 2025 and a net loss of approximately RMB39,536,000 for the year ended 31st December, 2024. For the two years ended 31st December, 2025 and 2024, the Group's net loss margins were approximately 6.46% and 2.64%, respectively.

FUTURE PROSPECTS

Driven by the continuous and in-depth advancement of the national food security strategy and rural revitalization strategy, core policies such as high-standard farmland construction, modernization of irrigation areas, agricultural water conservation and efficiency enhancement, and ecological protection and high-quality development of the Yellow River Basin continue to offer policy support for the industry. During the “15th Five-Year Plan” period, the agricultural modernization and water conservancy infrastructure upgrading plans of Xinjiang and the Xinjiang Production and Construction Corps have been implemented, creating broad long-term growth opportunities for the Company. Looking ahead, the Company will remain committed to its strategic goal of “building a leading domestic integrated service provider for the entire digital agriculture industry chain”, uphold its founding mission of “promoting water conservation, benefiting agriculture, and serving the nation through industry,” and adhere to the overall business principle of “pursuing progress while maintaining stability and improving quality and efficiency”. Guided by its strategic objectives, the Company will seize industry development opportunities and implement a market deployment strategy of “consolidating its foundation within Xinjiang, expanding its presence beyond Xinjiang, and exploring nationwide application scenarios”.

In the future, the Company will always adhere to an innovation-driven core strategy, leverage its high-tech enterprise and “Specialized, Refined, Distinctive, and Innovative” research and development platforms, and continuously increase investment in core technology research and development. It will focus on key areas such as large-diameter composite pipeline technology, efficient water-saving irrigation technology, and integrated smart agriculture service systems to advance technological breakthroughs and results transformation. The Company will deepen collaborations among industry, academia and research, actively participate in the formulation of industry standards, consolidate differentiated technological advantages and influence, and empower strategic implementation through technological upgrades. As part of its core operating strategy of improving quality and efficiency, the Company will continue optimizing its business structure, focus on high-margin segments such as EPC general contracting and smart agriculture system integration, and proactively optimize lowly-efficient business segments. It will strengthen full-chain supply management and cost control, mitigate raw material price volatility risks, refine management of accounts receivable and cash flow, and further enhance its asset-light operation model to achieve simultaneous growth in scale and profitability, thereby strengthening the operating foundation for strategic implementation. The Company will uphold compliance operations as the fundamental bottom line for its strategic development, strictly comply with the Hong Kong Stock Exchange Listing Rules and relevant domestic and overseas laws and regulations, and continuously improve corporate governance and internal control systems. It will enhance its ability to identify and respond to various operational risks, reinforce safety production and compliance safeguards, and ensure steady progress in strategic implementation. Ultimately, the Company will deliver sustained and stable operating results to reward all shareholders, contribute to national food security and rural revitalization, and actively promote the modernization of China’s agriculture.

INDEBTEDNESS

Borrowings

As at 31st December, 2025, the Group had outstanding bank loans of RMB69,715,000 (2024: RMB64,892,000).

Commitments

As at 31st December, 2025, the Group had capital commitments contracted for but not provided in the consolidated financial statements of RMB750,000 (2024: RMB730,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity ratios

The current ratio and quick ratio of the Group as at 31st December, 2025 were approximately 1.26 and 0.96, respectively, while the current ratio and quick ratio as at 31st December, 2024 were 1.43 and 1.07, respectively.

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, 2025, 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 RMB574,000 (2024: approximately RMB574,000), which were in line with the expansion plans of the Group.

Capital structure

For the year ended 31st December, 2025, the gearing ratio (which is defined as total borrowings over total equity) of the Group was 19.55% (2024: 15.83%). This was primarily due to the fact that the bank loan amounted to RMB69,715,000 in 2025 and RMB64,892,000 in 2024. 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, 2025.

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 utilization of funding, enhance the effectiveness on the utilization 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 optimize the Group's net cash flow position.

Contingent liabilities

As at 31st December, 2025, the Group had no contingent liabilities (2024: Nil).

Events after the reporting period

There were no other significant events after the reporting period and up to the date of this announcement.

Exposure to fluctuations in exchange rates and related hedges

The Group's present operations are mainly carried on in the PRC and 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 use any financial instruments to hedge its statement of financial position exposure in both 2024 and 2025.

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, 2025, the Group had 430 employees (2024: 500) 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 RMB7,748,000 for the year ended 31st December, 2025.

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 at the age prescribed by the requirements of the PRC or otherwise become unemployed, the amount of which is included in expenses incurred from the retirement benefits scheme.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

For the year ended 31st December, 2025, the Group had no material investment.

MATERIAL INVESTMENTS

For the year ended 31st December, 2025, the Group had no material investment.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31st December, 2025 (2024: Nil).

CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company for this year (the “**AGM**”) will be held on 11th June, 2026.

The register of the members of the Company will be closed from Monday, 8th June, 2026 to Thursday, 11th June, 2026 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for entitlement to attend the forthcoming annual general meeting of the Company, all instrument of transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not later than 4:30 p.m. on Friday, 5th June, 2026.

Corporate Governance Report

The board of Directors (the “**Board**”) of Xinjiang Tianye Water Saving Irrigation System Company Limited (the “**Company**”), together with its subsidiaries (referred as the “**Group**”) is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2025.

CORPORATE GOVERNANCE PRACTICES

The Group believes that the application of rigorous corporate governance practices can lead to the improvement in its reliability and transparency, and thus further instill confidence of its shareholders and the public. Throughout the year ended 31st December, 2025, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

THE BOARD

Composition

As at 31st December, 2025 and at the date of this report, the Board comprises seven directors (“**Directors**”), including four executive Directors and three independent non-executive Directors. The Board members have no financial, business, family or other material/relevant relationships with each other. Members of the Board are composed of experts with various expertise and professional background in different industries, who have worked for the government agencies in the PRC, public listed companies or other entities. All Directors are capable of giving sufficient time and attention to the affairs of the Group. The particulars of each Director are set out in the section headed “Directors, Supervisors and Senior Management” of this annual report.

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

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

Access to Independent Views and Opinions by the Board

The Company has put in place a mechanism to ensure that the Board has access to independent views and opinions and reviews the implementation and effectiveness of the mechanism every year. All independent non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

Authority of and Delegation by the Board

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

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

Corporate Governance Functions

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

The Board is also responsible for performing the corporate governance duties, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and (v) reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report. For the year ended 31st December, 2025, the Board has reviewed the Company's corporate governance practices and was of the view that such practices were effective.

Board Meetings and General Meeting

The Board is principally responsible for formulating and reviewing the overall strategies and the fundamental systems of the Group, and approving major transactions and other material operational and financial matters, as well as annual budget and quarterly, interim and annual results. The Board shall meet, at least, four times a year while extraordinary meetings may be held as required. The full Board held 6 physical meetings for the financial year ended 31st December, 2025. At least 14 days' notice of all meetings of the Board ("**Board Meeting(s)**") were given to all Directors, who were all given an opportunity to include matters in the agenda for discussion at the Board Meetings. The company secretary (the "**Company Secretary**") assisted the Chairman in preparing the agenda for the Board Meetings, and ensured that the Board procedures and all applicable rules and regulations were observed. The finalised agenda and accompanying board papers were then sent to all Directors at least three days prior to each proposed Board Meeting.

In addition, the Company holds general meeting to maintain an on-going dialogue with Shareholders. For the year ended 31st December, 2025, the Board held 6 regular meetings and 1 general meetings.

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

Attendee	Number of meetings attended/Total
Executive Directors	
Mr. Zhou Gang (<i>Chairman</i>)	6/6
Mr. Wang Dongwei (<i>appointed on 12th June, 2025</i>)	3/3
Mr. Li Zheng (<i>appointed on 12th June, 2025</i>)	3/3
Mr. Han Gen (<i>resigned on 12th June, 2025</i>)	0/3
Mr. Jiang Dayong	6/6
Independent non-executive Directors	
Ms. Gu Li	6/6
Mr. Hung Ee Tek	6/6
Mr. He Xinlin	6/6
Mr. Li Lianjun (<i>resigned on 12th June, 2025</i>)	3/3

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

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

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

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

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

Chairman and General Manager of the Group

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

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

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

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

Terms of Appointment and Re-election

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

Training and Support for Directors

All Directors are fully aware of their collective responsibilities. The Group has provided all Directors with reading materials and the latest information related to corporate governance and ESG matters, the Listing Rules and Hong Kong legal compliance for their review and study. These materials systematically introduce the Group's business operations and various responsibilities of directors of a listed company under legal and regulatory requirements. Simultaneously, special training has been carried out through data study, internal thematic presentations, thematic seminars and conference forums to help Directors consolidate and enhance the professional knowledge and comprehensive skills required for the performance of their duties. For the year ended 31st December, 2025, the Group continued to send Directors the latest regulatory information on directors' responsibilities, internal control systems, industry and business updates, corporate governance, ESG matters, Listing Rules and Hong Kong legal compliance, effectively urging Directors to strictly abide by various rule requirements and comprehensively enhance their awareness of good corporate governance. Where appropriate, the Company issues notices and guidelines to Directors and senior management to ensure that relevant personnel are familiar with and strictly implement best corporate governance practices.

The participation by individual Directors in the continuous professional development programme with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2025 is recorded in the table below.

	Reviewing latest materials on directors' responsibilities, internal control systems, industry and business information, or other related topics/Participating in seminars	Reading latest materials on corporate governance and ESG matters, as well as the Listing Rules and Hong Kong legal compliance
Executive Directors		
Mr. Zhou Gang	✓	✓
Mr. Wang Dongwei (<i>appointed on 12th June, 2025</i>)	✓	✓
Mr. Li Zheng (<i>appointed on 12th June, 2025</i>)	✓	✓
Mr. Han Gen (<i>resigned on 12th June, 2025</i>)	✓	✓
Mr. Jiang Dayong	✓	✓
Independent non-executive Directors		
Ms. Gu Li	✓	✓
Mr. Hung Ee Tek	✓	✓
Mr. He Xinlin	✓	✓
Mr. Li Lianjun (<i>resigned on 12th June, 2025</i>)	✓	✓

COMPANY SECRETARY

The appointment and removal of the Company Secretary is subject to the approval by the Board, and shall be reported to the Chairman of the Board and the Chief Executive Officer.

Under Rule 3.29 of the Listing Rules, Ms. Chan Ching Yi has confirmed that she has received not less than 15 hours of relevant professional training for the year ended 31st December, 2025.

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 C3 of the Listing Rules, as the code of conduct for securities transactions by the Directors and Supervisors of the Company. Following specific enquiries made by the Company, all Directors and Supervisors of the Company have confirmed that they have complied with the required standards under the Model Code for the year ended 31st December, 2025.

REMUNERATION COMMITTEE

The chairman of the Remuneration Committee is Mr. He Xinlin, an independent non-executive Director of the Company, and other members include Mr. Li Zheng, an executive Director and Mr. Hung Ee Tek, an independent non-executive Director of the Company.

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

For the year ended 31st December, 2025, the Remuneration Committee held one meeting. The individual attendance records of each member were as follows:

Attendee	Number of Meetings Attended/Total	Percentage
Mr. He Xinlin (<i>Chairman</i>)	1/1	100%
Mr. Hung Ee Tek (<i>appointed on 12th June, 2025</i>)	0/0	0.00%
Mr. Li Zheng (<i>appointed on 12th June, 2025</i>)	N/A	N/A
Mr. Li Lianjun (<i>resigned on 12th June, 2025</i>)	1/1	100%
Mr. Han Gen (<i>resigned on 12th June, 2025</i>)	0/1	0%

For the year ended 31st December, 2025, the Remuneration Committee reviewed matters relating to remuneration for the Directors and senior management, and discussed the remuneration policy of the Group.

NOMINATION COMMITTEE AND APPOINTMENT OF DIRECTORS

Nomination Committee

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

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

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

For the year ended 31st December, 2025, the Nomination Committee held one meeting. The individual attendance records of each member were as follows:

Attendee	Number of Meetings Attended/Total	Percentage
Mr. He Xinlin (<i>Chairman</i>)	1/1	100%
Ms. Gu Li (<i>appointed on 12th June, 2025</i>)	1/1	N/A
Mr. Zhou Gang	1/1	100%
Mr. Li Lianjun (<i>resigned on 12th June, 2025</i>)	0/0	0%

BOARD DIVERSITY POLICY

During the year ended 31st December, 2025, the Nomination Committee reviewed the established policy and procedure for the nomination and appointment of new Directors, and assessed the independence of the independent non-executive Directors. The Nomination Committee reviews annually and during the year reviewed the structure, size, composition and diversity of the Board including the background, experience, balance of skills, age and gender of each Director in respect to the Group's business strategy as well as the structure for the rotation of Directors, and considered that the existing arrangements were appropriate.

The Company values gender diversity. As at the date of this report, out of seven Directors of the Board, one independent non-executive Director is female. The Board is endeavoured to improve gender diversity when identifying suitable candidates, and will continue to maintain at least one female Director. The Company considers that the Board has achieved gender diversity.

Traditionally, there is a lack of female in the agricultural industry, but the Group still manages to attract female talents. As at 31st December, 2025, approximately 75% and 25% of the Group's employees are male and female, respectively. Although most of the members of senior management is male, the Company recognizes the value of gender diversity in facilitating the diversity and inclusiveness of the workplace and seeks for increasing the proportion of female employee via more channels in the futures. The Group is glad to see the increase in the number of female representative at all levels, but considers it to be inappropriate to set any specific gender target for the whole workforce. As an equal opportunity employer, the Group would also consider the aforesaid other relevant factors when deciding to arrange suitable candidates to serve at appropriate positions.

AUDIT COMMITTEE AND ACCOUNTABILITY

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

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

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. The Audit Committee's primary duties include ensuring the Group's financial statements, annual and interim reports and the auditor's report present a true and fair assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. The Audit Committee is provided with sufficient resources enabling it to discharge its duties. The Company Secretary keeps the minutes of all Audit Committee meetings. In line with the practices of the Board Meetings and other Committee meetings, draft and finalised minutes of Audit Committee meetings are circulated to all members of the Audit Committee as soon as practicable after each meeting. For the year ended 31st December, 2025, the Audit Committee held four meetings. The individual attendance records of each member were as follows:

Attendee	Number of Meetings	
	Attended/Total	Percentage
Ms. Gu Li (<i>Chairman</i>)	4/4	100%
Mr. Hung Ee Tek	4/4	100%
Mr. He Xinlin (<i>appointed on 12th June, 2025</i>)	2/4	50%
Mr. Li Lianjun (<i>resigned on 12th June, 2025</i>)	2/4	50%

During the year ended 31st December, 2025, the Audit Committee reviewed the final, quarterly and interim results of the Group, and discussed and approved the financial reports and various reports for the year. The Audit Committee also reviewed and discussed the Group's internal audit plans and arrangements for the upcoming year.

Auditors' remuneration

For the year ended 31st December, 2025, the external auditor of the Company, BDO, was not engaged in any non-audit services and its fees in respect of the audit services provided are set out below:

Services rendered	2025 RMB'000	2024 RMB'000
Audit services	750	730

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Board regularly reviews at the end of each year, and has reviewed for the year ended 31st December, 2025, through the Audit Committee with the assistance of the internal audit manager (the **"Internal Audit Manager"**), the Group's risk management and internal control systems, including without limitation to financial control, operational control, compliance control and risk management functions. The Board is of the view that the internal control systems of the Group are effective and adequate and there is no non-compliance, impropriety, fraud or other deficiencies that suggest material deficiency in the effectiveness of the risk management and internal control systems of the Group.

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

The Company has put in place procedures and internal controls for the handling and dissemination of inside information in relation to the disclosure of inside information. The Directors, Supervisors, management and employees of the Company are required to strictly comply with the statutory requirements, rules and regulations relating to the duty of confidentiality of information and the

Company's internal regulations on inside information to ensure that the disclosure of inside information complies with the requirements of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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

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

DIRECTOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

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

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent Auditor's Report on pages 54 to 56.

RELATIONSHIP WITH SHAREHOLDERS

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

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

The Chairman is actively involved in organising the general meeting and personally chairs it, so as to ensure that shareholders' views are delivered to the Board. Taking the annual general meeting as an example, auditors as well as members of the Remuneration Committee, the Nomination Committee, the

Audit Committee and the Compliance Committee, also attend the AGM to answer questions that shareholders may raise. A separate resolution is proposed by the Chairman in respect of each separate issue at the general meeting.

The proceedings of the general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. A circular in respect of the AGM, which is circulated to all shareholders at least 20 days prior to the AGM; a circular in respect of extraordinary general meeting, which is circulated to all shareholders at least 15 days prior to the extraordinary general meeting, set out details in relation to each resolution proposed, and other relevant information.

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

SHAREHOLDERS' RIGHTS

Pursuant to Article 8.05 of the Company's Articles of Association, shareholders individually or collectively holding in aggregate 10% or more of the issued shares of the Company may request the Board to convene an extraordinary general meeting, and upon receipt of such request, the Board shall convene the meeting within two months. Qualified shareholder(s) who wish(es) to request for convening an extraordinary general meeting may send his/her/its/their written request(s) (together with full details of the matters to be decided at the meeting) to the Company's principal place of business in Hong Kong at 22/F., World-Wide House, Central, Hong Kong to the Company Secretary and the Board.

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

	For holders of H Shares	For holders of Domestic Shares
Contact party:	The Company's H Share registrar and transfer office	The Company's registered office
Fax No.:	(852) 28611465	(86 993) 2623183
Correspondence address:	17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong	No. 36, Bei San Dong Road, Shihezi Economic and Technological Development Zone, Shihezi, Xinjiang, the PRC

DIVIDEND POLICY

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

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

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

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

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Articles of Association of the Company were approved to be amended in accordance with the special resolutions as set out in the circular of general meetings on 12th June, 2025. The revised and updated Articles of Association can be found in the constitutional document issued by the Company on 12th June, 2025.

INVESTOR RELATIONSHIPS

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

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

Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhou Gang, aged 54, holds a bachelor's degree in Chemical Engineering from Xinjiang Institute of Engineering. Mr. Zhou worked at Shihezi Chemical Plant (石河子化工廠) from 1995 to 1998, where he served in various roles such as worker, technician, and deputy director. In 2011, he assumed the role of responsible person at Xinjiang Tianye Zhonghua Mining Co., Ltd.* (新疆天業中華礦業有限公司) and served as the Secretary of the Party Branch of Xinjiang Tianye Zhonghua Mining Co., Ltd.* (新疆天業中華礦業有限公司) from 2015 to 2019. In 2020, he served as a member of the Party Committee in the cement industry of Tianye Group, the controlling Shareholder of the Company, and the General Manager of Shihezi Western Resources Logistics Co., Ltd. (石河子西部資源物流有限公司). From 2021 to 2023, Mr. Zhou Gang served as the Secretary of the Party Committee in the cement industry of Tianye Group, as well as the Chairman of Tianchen Cement Co., Ltd.* (天辰水泥有限責任公司), Tianneng Cement Co., Ltd.* (天能水泥有限公司), and Tianwei Cement Co., Ltd.* (天偉水泥有限公司), respectively, all of which are under the control of Tianye Group. Mr. Zhou was appointed as an executive Director of the Company and the Chairman of the Board on 28th September, 2023.

Mr. Wang Dongwei, aged 57, graduated from Xinjiang Vocational University with a major in civil engineering. He served as the person-in-charge of the Power Plant Preparation and Construction Office in the Infrastructure Department of Tianye Group, the deputy head of the Infrastructure Department of Tianye Group, the head of the Infrastructure Department of Tianye Group, the head of the Infrastructure Department of Tianye Corporation, and an executive director of Xiyu Water Conservancy and Hydropower. He now serves as the head of the Infrastructure Department of Tianye Corporation, a member of the Agricultural Party Committee of Tianye Group and a member of the Party Committee of the Company. He was appointed as a Director of the Company on 12th June, 2025.

Mr. Li Zheng, aged 37, graduated with a major in financial management from Tarim University in June 2013, and holds the title of senior accountant. He served as the head of the Finance Department of Shihezi Development Zone Western Resources Logistics Co., Ltd.* (石河子開發區西部資源物流有限公司) under Tianye Group, the director of the Financial Department of Xinjiang Western Materials Trading Co., Ltd.* (新疆西部物產貿易有限公司) under the Group, the financial controller of Xinjiang Huiding Logistics under Zhongxinjian Logistics Group, the director of the Finance Office of Tianye Group, the general manager of Xinjiang Tianhe Yida Investment Co., Ltd.* (新疆天合意達投資有限公司) under Tianye Group, the director of the Finance Office of Tianye Group and a director of Tianyu Financial Capital Operations Co., Ltd.* (天域融資本運營有限公司). He now serves as the deputy director of the Financial Management Center of Tianye Group, a director of Tianneng Chemical Co., Ltd.*, a director of Tianwei Chemical Co., Ltd.*, and a director of Tianyu Financial Capital Operations Co., Ltd.*. He was appointed as a Director of the Company on 12th June, 2025.

Mr. Han Gen, aged 46, holds a bachelor's degree in Agriculture from Shihezi University. Mr. Han Gen joined the 128th Corps of the Seventh Agricultural Division as the Deputy Company Commander of the 4th Company in 2006, and then served as the Deputy Company Commander of the 1st Company of the 129th Corps of the Seventh Agricultural Division in 2007. In 2012, he became the Agricultural Department Director (農業科科长) and Office Director (科辦主任) in the 129th Corps of the Seventh Agricultural Division. From 2016 to 2018, he served as a member of the Standing Committee of the Party Committee and the deputy head of the 129th Corps of the Seventh Agricultural Division. He then held the positions of a member of the Standing Committee of the Party Committee and the deputy head of the 125th Corps of the Seventh Agricultural Division from 2018 to 2019. Prior to joining our Company, Mr. Han Gen served as the Secretary of the Party Committee and Political Commissar in the 133rd Regiment of the Eighth Division. Since 2023, he has been serving as the Vice General Manager and the Director of Agriculture in Tianye Group. Mr. Han was appointed as an executive Director of the Company on 28th September, 2023, and ceased to be an executive Director on 12th June, 2025.

Mr. Jiang Dayong, aged 48, is a member of the Communist Party of China. Mr. Jiang graduated from Central South University of Forestry and Technology, majoring in forestry information management. Mr. Jiang started his career in July 2001, and he successively served as the deputy director and director of the strategy development department of Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司) since January 2017. He served as the director of strategic research center in May 2020 and has been the director of the operation and management department of Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司) from October 2021 to December 2023. He served as the assistant to the general manager of Tianye Group on 23rd December, 2023, and also served as the officer to the office of Tianye Group on 15th January, 2024.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Gu Li, aged 56, who graduated from Xinjiang University of Finance & Economics with a bachelor's degree, is a certified public accountant and a national judicial accounting appraiser. From June 1991 to November 2000, Ms. Gu was a senior staff member and worked as an accountant in the Poverty Alleviation Office of Xinjiang Production and Construction Corps. Since December 2000, she has been responsible for auditing at Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd.* (新疆新新華通有限責任會計師事務所). From June 2004 to January 2010, Ms. Gu served as the manager of Audit Department 2 of Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd., and was promoted as the deputy director of the same firm from January 2010 to January 2012. She has been serving as the director, legal representative and chief accountant of Xinjiang Xin Xin Hua Tong Certified Public Accountants Co., Ltd. since 2012. Ms. Gu was appointed as an independent non-executive Director of the Company on 26 February, 2019.

Mr. Hung Ee Tek, aged 63, is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Hung holds the Master of Arts in International Accounting from the City University of Hong Kong and the Master of Arts in Global China Studies from the Hong Kong University of Science and Technology. Mr. Hung has more than 25 years of experience in audit, accounting and financing. Mr. Hung was appointed as an independent non-executive Director of the Company on 26 February, 2019.

Mr. He Xinlin, aged 60, holds a PhD degree obtained from Wuhan University majoring in hydrology and water resources, graduated from Shihezi Agricultural College with a bachelor's degree in farmland water conservancy engineering, a member of China Association for Promoting Democracy and is currently the deputy director of the Academic Committee of Shihezi University. He has successively served as the deputy dean, dean and professor of the School of Water Conservancy and Construction Engineering of Shihezi University. Mr. He Xinlin was appointed as an independent non-executive Director of the Company on 28 June 2022.

Mr. Li Lianjun, aged 61, a member of the Communist Party of China, graduated from Shihezi Radio and Television University* (石河子廣播電視大學) with a bachelor's degree in law. Mr. Li Lianjun was qualified as a lawyer in 1998 and started his career as a professional lawyer in 2003. Besides currently serving as the director of Shanghai Hansheng (Shihezi) Law Firm* (上海漢盛(石河子)律師事務所), Mr. Li Lianjun is currently a member of the Party Committee of the Lawyers Association of Xinjiang Production and Construction Corps* (兵團律師協會), a vice president of the Lawyers Association of Xinjiang Production and Construction Corps* and the president of Shihezi Lawyers Association* (石河子律師協會). Mr. Li Lianjun is well-experienced in providing legal retainer services. Mr. Li Lianjun was appointed as an independent non-executive Director of the Company on 21st February, 2022, and ceased to be an independent executive Director on 12th June, 2025.

SUPERVISORS

Mr. Chen Cailai, aged 42, graduated from Xinjiang Agricultural University with a major in applied chemistry. He obtained a professional qualification of engineer in January 2008. Mr. Chen joined Tianye Holdings in 2007. Mr. Chen has been serving as the member of monitoring office of the party committee of Tianye Holdings since April 2017 and currently is the director of strategic research centre of Tianye Group. Mr. Chen was appointed as a Supervisor of the Company in June 2018, and ceased to be a Supervisor on 12th June, 2025.

Mr. Xie Xinghui, aged 63, who graduated from Chongqing Construction Engineering College* (重慶建築工程學院) in October 1981 with a bachelor's degree, is a senior architect. Previously, Mr. Xie held office as the deputy director, director, and deputy president of the Six Design Office of Shihezi Subinstitute of Xinjiang Production and Construction Corps Geotechnical Investigation and Design Institute* (新疆兵團勘測設計研究院石河子分院設計六所). In March 2003, he served as the president of the Shihezi Sub-institute of Xinjiang Production and Construction Corps Construction Design Institute* (兵團建工設計研究院石河子分院). Furthermore, he has various official titles, including member of the National Committee of the Chinese People's Political Consultative Conference (Xinjiang Autonomous Region), member of the Standing Committee of the Chinese People's Political Consultative Conference (Shihezi), chairperson of the Revolutionary Committee of the Chinese Kuomintang (Shihezi), executive of Central Entrepreneurship Association of the Revolutionary Committee of the Chinese Kuomintang* (民革中央企業家聯誼會), vice president of Xinjiang Entrepreneurship Association of the Revolutionary Committee of the Chinese Kuomintang* (民革新疆企業家聯誼會), and president of Shihezi Entrepreneurship Association* (石河子企業聯合會). Mr. Xie was appointed as a Supervisor of the Company on 26th February, 2019, and ceased to be a Supervisor on 12th June, 2025.

Ms. Chen Ming, aged 41, holds a master's degree in business administration from Shihezi University. Ms. Chen was the deputy secretary of the party committee, the secretary of the disciplinary committee and the chairlady of the labour union of the Company. She has served as an officer of the labour union, office secretary, and the deputy director of the party committee office of Tianye Group, and the deputy secretary of the party committee, secretary of the disciplinary committee and chairlady of the labour union of Shihezi Tianyu Xinshi Chemical Co., Ltd.* (石河子天域新實化工有限公司), which is under the control of Tianye Group. She is currently the secretary of the party branch of the PRC (excluding Xinjiang) of the Company. Ms. Chen was appointed as the employee representative Supervisor and the Chairlady of Supervisory Committee of the Company on 28th September, 2023, and ceased to be a Supervisor on 12th June, 2025.

COMPANY SECRETARY

Ms. Chan Ching Yi, aged 51, is the company secretary and one of the authorized representatives of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants and has accumulated more than 20 years of financial and auditing experience. She is currently an independent non-executive director of Pak Tak International Limited (stock code: 2668), which is a company listed on the Main Board of the Stock Exchange. She joined the Company in February 2018.

COMPLIANCE OFFICER

Mr. Yang Wan Sen, aged 52, is the general manager of the Company. Mr. Yang graduated from the Central Radio and Television University with a bachelor's degree in administrative management, and obtained a master's degree in agricultural extension in Shenyang Agricultural University in 2017. Mr. Yang was awarded the economist qualification certificate from the Human Resources and Social Security Bureau of Xinjiang Production and Construction Corps in June 2006, and has obtained the senior economist qualification certificate. He joined the Group in September 2001 and has been the deputy general manager of the Company since October 2011. Mr. Yang was an executive Director of the Company from June 2016 to February 2019, and has served as the general manager of the Company since April 2020.

SENIOR MANAGEMENT

Mr. Yang Qiang, aged 54, is the deputy general manager of the Company. Mr. Yang graduated from Party Institution of the Corps Party Committee with a college major in economic management. Mr. Yang served as the deputy chief agronomist of the 134th Regiment of the Eighth Division, the director of the Water Management Institute and the deputy general manager of Modern Agricultural Investment Co., Ltd. (現代農業投資有限公司). He joined the Group since December 2018 and served as the deputy general manager of the Company.

Mr. Xiang Duo Wu, aged 50, is the secretary to the Board of the Company with a bachelor's degree, is a certified public accountant. Previously, he served as the responsible person for finance at Xinjiang Shihezi City Changyun Biochemical Co., Ltd., Chemical Plant of Xinjiang Tianye Company Limited, Calcium Carbide Plant of Xinjiang Tianye Company Limited, Xinjiang Tianye (Group) Mining Co, Ltd*, Xinjiang Tianfu Xinye Energy Co., Ltd.* (新疆天阜新業能源有限責任公司) and the chairman of Shihezi Beiyue Tianyin Asset Management Co., Ltd.* (石河子北野天音資產管理有限公司), respectively. Mr. Xiang was appointed as the secretary to the Board of the Company in March 2021. He has also been the qualified accountant of the Company since 2022. Mr. Xiang ceased to be the Secretary to the Board of the Company on 13th January, 2026.

Mr. Zhou Hailong, aged 33, is the Secretary to the Board of the Company. He graduated from Xinjiang University of Finance and Economics majoring in Finance. He holds a bachelor's degree and is an economist. He served as the director of the Securities Investment Center of Tianye Water Saving, the secretary of the Party branch of the headquarters of Tianye Water Saving and the director of the Risk Control Office of the Agricultural Party Committee. He serves as the Secretary to the Board of Tianye Water Saving since 13th January, 2026.

Mr. Li Bao Zhu, aged 50, is the chief engineer of the Company. Mr. Li graduated from College of Water Resources and Architectural Engineering of Northwest A & F University with a major in water and soil conservation in 2000 and he obtained a master degree in hydraulic engineering from Northwest A & F University in 2008. He obtained a senior engineer qualification certificate in 2010. Mr. Li joined Tianye Holdings in 2000 and was responsible for planning and design of water saving irrigation project. Mr. Li has over ten years of experience in water saving irrigation project design and construction and relevant technology research. Mr. Li joined the Company in 2015 and was appointed as the chief engineer of the Company in June 2016.

Ms. Li Li, aged 50, is the chief financial officer of the Company. She served as an auditor of Xinjiang Ruixin Accounting Firm (新疆瑞新會計師事務所) in September 1999; the chief cement accountant in the Finance Department of Tianchen Chemical Co., Ltd. in April 2009; an accountant of Tianneng Cement Co., Ltd. in September 2010; the financial officer of Tianneng Cement Co., Ltd. in April 2011; the financial officer of Tianwei Cement Co., Ltd. in October 2012; the finance director of Tianwei Chemical Co., Ltd. from October 2014 to July 2024; and the chief financial officer of the Company from August 2024 to date.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, save as disclosed above, there were no changes in the information of the Directors of the Company during the year ended 31st December, 2025.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31st December, 2025 are set out in the consolidated income statement on pages 66 to 68 of this annual report. The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2025 (2024: Nil).

FIVE-YEAR FINANCIAL STATEMENT

A summary of the published results of the Group for the last five financial year is set out on page 34 of this annual report. This summary does not form part of the Auditor’s Report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB4,401,000 on acquiring new plants and machines, and approximately RMB1,226,000 on construction in progress. Details of the above and of other movements in the property, plant and equipment and construction in progress of the Group for the year are set out in section X and XI of part V of the notes to financial statements.

SHARE CAPITAL

Details of movements in the issued share capital of the Company during the year are set out in part I of the notes to financial statements.

DISTRIBUTABLE RESERVES OF THE GROUP

The Group's reserves available for distribution to Shareholders is the retained profits as stated in the financial statements of the Group prepared in accordance with the "Enterprise Accounting Standards — Basic Standards" promulgated by the Ministry of Finance. As at 31st December, 2025, the Group had no reserve available for distribution to shareholders (2024: nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2025, sales to the largest customer and the five largest customers of the Group accounted for approximately 9.32% and 21.01% (2024: 13.17% and 37.73%) of the total turnover of the Group, respectively. Purchases from the Group's largest supplier and the five largest suppliers accounted for approximately 4.89% and 17.35% (2024: 4.26% and 19.53%) of the total purchase of the Group, respectively. Save as disclosed under the paragraph headed "CONNECTED AND RELATED PARTY TRANSACTIONS", at no time during the year did a Director, a Supervisor, their associates or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Shares of the Company) have an interest in any of the five largest customers or suppliers of the Group.

DIRECTORS AND SUPERVISORS

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

Executive Directors:

Mr. Zhou Gang (*Chairman*)

Mr. Han Gen (*resigned on 12th June, 2025*)

Mr. Jiang Dayong

Mr. Li Zheng (*appointed on 12th June, 2025*)

Mr. Wang Dongwei (*appointed on 12th June, 2025*)

Independent non-executive Directors:

Mr. He Xinlin

Mr. Li Lianjun (*resigned on 12th June, 2025*)

Ms. Gu Li

Mr. Hung Ee Tek

Pursuant to the articles of association of the Company, the term of appointment for all Directors is three years, who are eligible for re-election upon expiry of term.

Supervisors:

Ms. Chen Ming (*resigned on 12th June, 2025*)

Mr. Chen Cailai (*resigned on 12th June, 2025*)

Mr. Xie Xinghui (*resigned on 12th June, 2025*)

The Company amended its articles of association on 12th June, 2025, and abolished the Supervisory Committee of the Company.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 28 to 31.

DIRECTORS' SERVICE CONTRACTS

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

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

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board confirmed that the Company received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange, and the Company considered the independent non-executive Directors to be independent.

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

As at 31st December, 2025, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she will be taken or deemed to have under such provisions of the SFO), or the interest which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Hong Kong Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

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

(A) Domestic Shareholders

As at 31st December, 2025, 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 and 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 Tianze Water Conservancy Investment and Development Co., Ltd.*	Beneficial owner	313,886,921(L)	98.98%	60.42%

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).

* For identification purposes only

(B) H Shareholders

Name of shareholder	Capacity	Number of H Shares of the Company held (Note 1)	Approximate percentage of the total issued H Shares of the Company	Approximate percentage of the total issued share capital of the Company (Note 2)
Long Thrive Holdings Limited (" 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).
3. The H Shares held by Long Thrive is equivalent to approximately 7.12% of the total H Shares in issue of the Company.
4. Long Thrive directly held 14,407,000 H Shares. 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 the SFO, Ms. Wang is deemed to be interested in the 14,407,000 H Shares held by Long Thrive.

Save as disclosed above, as at 31st December, 2025, the Directors and chief executive of the Company were not aware of any persons (other than the Directors and chief executive of the Company) who had an interest or 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, or holding 5% or above in the issued share capital of the Company which will be required to be notified to the Company.

CONNECTED TRANSACTIONS

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

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

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

A. Continuing connected transactions

- A new 2026–2028 project construction services framework agreement (the “**2026–2028 Project Construction Services Framework Agreement**”) dated 16th February, 2026 entered into with Tianye Group (the de-facto controller), pursuant to which the Group agreed to provide Tianye Holdings and/or its subsidiaries (including itself and/or its subsidiaries and/or its controlled corporations) with project construction services for a period from 1 January, 2025 to 31st December, 2028, and the final price for the services provided by the Group shall be determined after arms’ length negotiations and on normal commercial terms between the parties concerned with reference to (i) government-mandated and government-suggested prices; (ii) market prices, and (iii) agreed prices at the relevant time. The respective annual caps for each of the three years ending 31st December, 2025 are adjusted to RMB610,000,000.
- A new 2026–2028 purchase framework agreement (the “**2026–2028 Purchase Framework Agreement**”) dated 16th February, 2026 entered into with Tianye Group, pursuant to which the Group agreed to purchase PVC resins, light calcium carbonate, other chemical products and agricultural products, with light calcium carbonate, other chemical products and agricultural products as newly added products, from Tianye Holdings and/or its subsidiaries (including itself and/or its subsidiaries and/or its controlled corporations) from time to time for a term from 1st January, 2026 to 31st December, 2028, and the price for those products will be determined by reference to the market price promulgated by the PRC government, and if not applicable, be agreed from time to time between the parties concerned by reference to the prevailing market price at the relevant time. The respective annual caps for each of the three years ending 31st December, 2025 are adjusted to RMB250,000,000.

- A new 2026–2028 sales framework agreement (the “**2026–2028 Sales Framework Agreement**”) dated 16th February, 2026 entered into with Tianye Group, pursuant to which Tianye Holdings and/or its subsidiaries (including itself and/or its subsidiaries and/or its controlled corporations) agreed to purchase products manufactured by the Group, including PVC/PE pipelines, drip tapes and drip assemblies, automation products, filters, water pumps, fertilizer applicators and other related products, of which automation products, filters, water pumps, fertilizer applicators and other related products as newly added products, from time to time for a term from 1st January, 2026 to 31st December, 2028, and the price for those products manufactured by the Group will be determined by reference to the market price promulgated by the PRC government, and if not applicable, be agreed from time to time between the parties concerned by reference to the prevailing market price of similar products and cost of raw materials at the relevant time. The respective annual caps for each of the three years ending 31st December, 2028 are adjusted to RMB250,000,000.

The above-mentioned 2026–2028 Project Construction Services Framework Agreement, 2026–2028 Purchase Framework Agreement, 2026–2028 Sales Framework Agreement (the “**Continuing Connected Transaction Agreements**”) and the respective annual caps thereunder for the three years ending 31st December, 2028 were approved by an ordinary resolution at the extraordinary general meeting of the Company held on 30th April, 2026. The details of these transactions were disclosed in the announcement of the Company dated 16th February, 2026 and the circular of the Company dated 9th April, 2026.

B. Connected transactions

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

C. Details of performance commitments/profit guarantee under Rule 14A.63 of the Listing Rules of the Stock Exchange

Income Guarantee

The Company, Urumqi Hongrui Plastic Trade Limited* (烏魯木齊泓瑞塑化商貿有限公司) (now renamed as Xinjiang Hongrui Huixin New Materials Technology Co., Ltd. (新疆泓瑞滙鑫新材料科技有限公司)) (the “**Target Company**”), Ms. Deng Hongwen (鄧紅文) and Mr. Li Yang (李陽) entered into the capital increase agreement (the “**Capital Increase Agreement**”) on 26th May, 2021, pursuant to which the Company agreed to inject additional capital of RMB4,581,200 into the Target Company (“**Increased Amount**”), of which RMB3,100,000 were the registered capital of the Target Company and RMB1,481,200 were treated as capital reserve of the Target Company (the “**Additional Capital**”). For details, please refer to the circular dated 21st June, 2021 (the “**Capital Increase Circular**”) and the announcement dated 26th May, 2021 of the Company.

As disclosed in the section headed “Income Guarantee and Equity Transfer” in the Capital Increase Circular of the Company, according to the Capital Increase Agreement, upon Completion, the Target Company is required to guarantee that its subsequent annual (i) operating revenue after tax will not be less than the amount as audited in the previous accounting year and (ii) the return on net assets (i.e. net profit/net assets) will not be less than 12% (the “**Income Guarantee**”).

The performance of the Income Guarantee for 2022 was disclosed in the Company’s annual report for the year ended 31st December, 2022 and the announcement dated 21st August, 2023.

The performance of the Income Guarantee for 2023 was disclosed in the Company’s annual report for the year ended 31st December, 2023 and the announcement dated 23rd April, 2024.

The performance of the Income Guarantee for 2024 was disclosed in the Company’s annual report for the year ended 31st December, 2024 and the announcement dated 30th April, 2025.

In the light of the fact that the operating income in the audited financial statements of the Target Company for 2025 did not meet the guarantee requirements in 2025, following negotiations between the parties to the Capital Increase Agreement subject to the terms and conditions thereto, Ms. Deng Hongwen and Mr. Li Yang agreed to repay the amount not less than the Increased Amount multiplied by the lending interest rate for the Increased Amount as published by the bank prevailing over the same period in cash, being RMB137,400. As at the date of this report, Ms. Deng Hongwen and Mr. Li Yang have agreed to perform their cash repayment obligations prior to 30th June, 2026.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

For the year ended 31st December, 2025, the Directors are not aware of any business or interest of the Directors, the management, Shareholders and their respective associates (as defined under the Listing Rules) that competes or may compete (directly or indirectly) with the business of the Group and any other conflicts of interests which any such persons has or may have with the Group.

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

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

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

Details of the emoluments of the Directors and Supervisors and remuneration of the five highest paid Individual for the year are set out in note 6 and note 7 of section V of part XII to the financial statements in this annual report.

For each of 2024 and 2025, senior management of the Company comprises 5 individuals. The emolument of each of the senior management fell within RMB1,000,000.

CORPORATE GOVERNANCE

Please refer to the chapter headed "Corporate Governance Report" in this report.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares) during the year ended 31st December, 2025. As of the end of the reporting period, the Company or its subsidiaries does not hold any treasury shares.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme.

PERMITTED INDEMNITY PROVISION

During the year ended 31st December, 2025, subject to applicable laws, the Company has taken out and maintained appropriate directors and senior management liability insurance coverage against the liabilities that may be incurred by the Directors and senior management of the Company upon executing and performing their duties.

CHARGE OF ASSETS

As at 31st December, 2025, the Group did not have any assets pledged or restricted by guarantee.

CHARITABLE DONATIONS

During the year ended 31st December, 2025, the Group did not make any charitable donations and other donations (2024: nil).

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31st December, 2025, to the knowledge of the Company, the Group had complied with the relevant laws and regulations that have a material impact on the business of the Group in all material aspects and there were no circumstances of material breach or non-compliance of applicable laws and regulations.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and so far as known to the Directors, the Company has maintained a sufficient public float under the Listing Rules during the year ended 31st December, 2025 and as at the date of this report.

TAXATION EXEMPTION

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

EVENT AFTER THE REPORTING PERIOD

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

AUDIT COMMITTEE

The Audit Committee reviewed the Group's consolidated annual results for the year ended 31st December, 2025 including the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters of the audited financial statements for the year ended 31st December, 2025 with the Board and the management.

AUDITOR

BDO China SHU LUN PAN Certified Public Accountants LLP (“**BDO**”) will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution will be submitted in the forthcoming annual general meeting to re-appoint BDO as the auditor of the Group. BDO was also the sole auditor of the Company for 2023, 2024 and 2025. Pan-China Certified Public Accountants LLP, being the auditor of the Company for 2022, resigned as the auditor of the Company upon the conclusion of the extraordinary general meeting on 28th September 2023.

By order of the Board

Zhou Gang

Chairman

Xinjiang, the PRC

31st March, 2026

Report of the Supervisory Committee

To: All Shareholders

For the period from 1st January, 2025 to 12th June, 2025, the supervisory committee (the “**Supervisory Committee**” or the “**Supervisors**”) of the Company, in compliance with the provisions of the Company Law of the People’s Republic of China, the relevant laws and regulations of Hong Kong and the articles of association of the Company (the “**Articles of Association**”), has conducted its work adhering to the fiduciary principle, and has taken up an active role to work faithfully and diligently to safeguard the interests of the shareholders and the benefits of the staff of the Company. The Supervisory Committee ceased to hold office upon its abolition on 12th June, 2025.

I. MEETING OF THE SUPERVISORY COMMITTEE

In 2025, the Supervisory Committee held a total of 1 working meeting, details of which were as follows:

1. On 28th March, 2025, the Company held the 11th meeting of the seventh session of the Supervisory Committee whereby the resolution on the “Auditor’s Report for Year 2024” of the Company was considered and approved.

II. SUPERVISION OF THE COMPANY’S WORK IN 2025

For the period from 1st January, 2025 to 12th June, 2025, the Supervisory Committee reviewed the operations of the Company and major issues, attended the meetings of the Directors of the Company, provided reasonable recommendation and advice to the Board and effectively monitored the members of the Board and senior management of the Company in performing their duties.

By order of the Supervisory Committee
Chen Ming

Chairman of the Supervisory Committee

Xinjiang, the PRC
12th June, 2025

Xin Hui Shi Bao Zi [2026] No. ZG10485

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

I. AUDIT OPINION

We have audited the financial statements of Xinjiang Tianye Water Saving Irrigation System Company Limited (hereinafter referred to as "Company"), which comprise the consolidated and the Parent Company's balance sheets as at 31st December, 2025, the consolidated and the Parent Company's income statement, the consolidated and the Parent Company's statement of cash flows, the consolidated and the Parent Company's statement of changes in owners' equity for the year 2025, as well as the related notes to the financial statements.

In our opinion, the accompanying financial statements were prepared in accordance with the Accounting Standards for Business Enterprises (ASBE) in all material aspects and give a true and fair view of the consolidated and the Parent Company's financial position of the Company as at 31st December, 2025 and of its consolidated and the Parent Company's operating results and cash flows for 2025.

II. BASIS OF OPINIONS

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the section headed "Responsibilities of Certified Public Accountants for the Audit of the Financial Statements" as contained in the Auditors' Report. We are independent of the Company in accordance with the Independence Standard of Chinese Certified Public Accountants No. 1 — Requirements for Independence of Financial Statement Audit and Review Business" and the Ethical Codes of Chinese Certified Public Accountants, and we have fulfilled our other responsibilities under the Ethical Codes. We have complied with the independence requirements for the audit of public interest entities in our audit. We believe that the audit evidence obtained from the audit process is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

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

Key audit matters which we identified in audit are summarized as below:

(I) Operating income

1. Description

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

Operating income of the Company was mainly derived from the trade and sales of chemical materials and the sales of goods, such as drip tapes and drip assemblies, PVC materials for water supply pipes, PE piping materials and accessories, as well as the provision of installation services. The operating income of the Company for the year 2025 was RMB848,396,700, of which project income was RMB436,682,300, accounting for 51.47% of the operating income, and the income from the sales of chemical materials was RMB187,862,200, accounting for 22.14% of the operating income.

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

2. Application for auditing

Our major audit procedures for revenue recognition include:

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

(II) Provision for impairment of inventories

1. Description

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

As of 31st December, 2025, the book balance of inventories of the Company was RMB217,222,100, and provision made for impairment of inventories was RMB44,266,500, and carrying amount was RMB172,955,600. Since the amount of inventories is significant and the provision for impairment of inventories depends on the estimation of the net realizable value of inventories, the provision for impairment of inventories is therefore recognized as a key audit matter.

2. Application for auditing

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

- (1) Obtained an understanding of the key internal control system with regard to provision for impairment of inventories, assessed the design of these controls, determined if they are implemented, and tested the operational effectiveness of the relevant internal controls;
- (2) Reviewed management's forecast of net realizable value of inventories and actual operating results in previous years, and assessed the accuracy of management's past forecasts;
- (3) Acquired the provision statement for impairment of inventories prepared by the management, and reviewed the management's prediction of the estimated selling price of inventories on a sample basis;
- (4) Evaluated the rationality of management's estimation of the costs, selling expenses and related taxes that would occur when the inventory is completed; reviewed the accuracy of management's calculation of the net realizable value of inventories;

- (5) Checked whether there was long-term inventories, obsolete inventories and changes in technology or market demand in the inventories at the end of the period based on the inventory supervision, and assessed whether the management has reasonably estimated the net realizable value of the inventories;
- (6) For the provision for impairment of inventories which was written off due to the sale of inventories during the current period, checked the accuracy of writing-off of the provision for impairment of inventories;
- (7) Checked whether the information related to the provision for impairment of inventories has been properly presented in the financial statements.

IV. OTHER INFORMATION

The management of the Company (hereinafter referred to as the management) is responsible for the other information which comprises all the information in the annual report for year 2025 of the Company other than the financial statements and this auditors' report.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The governing bodies are responsible for overseeing the financial reporting process of the Company.

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

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

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

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

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

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

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

BDO China Shu Lun Pan
Certified Public Accountants LLP

Certified Public
Accountant:
(Project Partner)



Certified Public
Accountant:



Shanghai, the People's Republic of China

31st March, 2026

Consolidated Balance Sheet (Assets)

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Assets	Note V	Closing balance	Closing balance at the end of last year
Current assets:			
Cash	(I)	477,698,737.13	422,324,054.34
Security deposits for settlement			
Interbank lending to banks and other financial institutions			
Financial assets held for trading			
Derivative financial assets			
Bill receivables			
Trade receivables	(II)	220,347,769.16	252,539,231.04
Receivables financing	(III)	2,721,813.94	3,273,014.02
Prepayments	(IV)	69,364,578.99	72,020,140.85
Premium receivables			
Reinsurance account receivables			
Reinsurance contract reserve receivables			
Other receivables	(V)	22,752,891.17	21,796,549.11
Financial assets purchased to resell			
Inventories	(VI)	172,955,630.60	168,559,209.41
Of which: Data resources			
Contract assets	(VII)	111,024,623.28	68,524,296.15
Assets held for trading			
Non-current assets due within one year			
Other current assets	(VIII)	16,424,545.53	12,412,877.64
Total current assets		1,093,290,589.80	1,021,449,372.56

Consolidated Balance Sheet (Assets)

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Assets	Note V	Closing balance	Closing balance at the end of last year
Non-current assets:			
Loans and advances			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	(IX)		134,266.57
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets	(X)	104,378,940.14	108,178,851.36
Construction-in-progress	(XI)	1,173,864.90	1,722,536.19
Productive biological assets	(XII)	32,313,018.34	34,473,017.48
Oil and gas assets			
Right-of-use assets	(XIII)	39,803,736.28	41,192,029.10
Intangible assets	(XIV)	14,229,543.29	16,117,998.47
Of which: Data resources			
Development expenses			
Of which: Data resources			
Goodwill	(XV)		
Long-term deferred expenses	(XVI)	5,138,281.94	5,549,164.40
Deferred income tax assets	(XVII)	2,952,280.06	4,129,814.17
Other non-current assets			
Total non-current assets		199,989,664.95	211,497,677.74
Total assets		1,293,280,254.75	1,232,947,050.30

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Consolidated Balance Sheet (Liabilities and Owners' Equity)

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Liabilities and equity of owners	Note V	Closing balance	Closing balance at the end of last year
Current liabilities:			
Short-term borrowings	(XIX)	20,014,608.90	14,991,773.02
Loans from central bank			
Interbank borrowing funds			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Bill payables			
Trade payables	(XX)	403,815,447.02	452,530,564.05
Receipts in advance			
Contract liabilities	(XXI)	332,037,649.25	181,424,245.48
Sale and buy-back financial assets			
Deposit taking from customers and placement			
Customer brokerage deposits			
Securities underwriting brokerage deposits			
Employee remuneration payables	(XXII)	5,431,597.62	5,647,622.44
Tax and levy payables	(XXIII)	2,134,804.38	7,643,636.04
Other payables	(XXIV)	44,616,636.53	47,678,873.20
Fees and commission payables			
Amounts due to reinsurers			
Liabilities held-for-trading			
Non-current liabilities due within one year	(XXV)	53,034,776.68	3,828,729.32
Other current liabilities	(XXVI)	4,952,704.51	2,202,348.64
Total current liabilities		866,038,224.89	715,947,792.19

Consolidated Balance Sheet (Liabilities and Owners' Equity)

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Liabilities and equity of owners	Note V	Closing balance	Closing balance at the end of last year
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	(XXVII)		49,900,000.00
Bond payables			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	(XXVIII)	44,215,941.60	43,533,204.43
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred income	(XXIX)	26,393,699.67	13,443,645.31
Deferred income tax liabilities	(XVII)	25,084.78	114,240.29
Other non-current liabilities			
Total non-current liabilities		70,634,726.05	106,991,090.03
Total liabilities		936,672,950.94	822,938,882.22

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Liabilities and equity of owners	Note V	Closing balance	Closing balance at the end of last year
Equity of owners:			
Share capital	(XXX)	519,521,560.00	519,521,560.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	(XXXI)	52,931,858.62	52,931,858.62
Less: Treasury shares			
Other comprehensive income			
Special reserve	(XXXII)	300.00	32,735.56
Surplus reserve	(XXXIII)	34,724,097.27	34,724,097.27
General risk provisions			
Undistributed profit	(XXXIV)	-280,317,490.61	-225,492,586.33
Total owners' equity attributable to the parent company		326,860,325.28	381,717,665.12
Minority interests		29,746,978.53	28,290,502.96
Total equity of owners		356,607,303.81	410,008,168.08
Total liabilities and equity of owners		1,293,280,254.75	1,232,947,050.30

The accompanying notes form an integral part of these financial statements.

Legal representative:


Responsible person for
accounting:

Responsible person for
accountant:


Balance Sheet of the Parent Company (Assets)

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Assets	Note XVI	Closing balance	Closing balance at the end of last year
Current assets:			
Monetary funds		165,406,180.54	213,349,075.14
Financial assets held for trading			
Derivative financial assets			
Bill receivables			
Trade receivables	(I)	33,477,733.30	80,930,230.29
Receivables financing			1,040,573.18
Prepayments		64,795,223.81	25,210,769.85
Other receivables	(II)	60,900,265.15	99,236,491.43
Inventories		73,586,093.29	64,107,526.92
Of which: Data resources			
Contract assets		32,265,435.15	24,529,161.50
Assets held for trading			
Non-current assets due within one year			
Other current assets		8,714,754.12	11,445,942.08
Total current assets		439,145,685.36	519,849,770.39

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Assets	Note XVI	Closing balance	Closing balance at the end of last year
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investment	(III)	179,377,969.95	236,415,165.70
Investments in other equity instruments			
Other non-current financial assets			
Investment properties			
Fixed assets		26,607,546.28	26,421,236.67
Construction-in-progress			1,486,079.65
Biological assets for production		32,313,018.34	34,473,017.48
Oil and gas assets			
Right-of-use assets		32,321,885.98	32,644,338.37
Intangible assets		4,968,920.93	6,257,420.29
Of which: Data resources			
Development expenses			
Of which: Data resources			
Goodwill			
Long-term deferred expenses		3,033,480.55	3,354,993.63
Deferred income tax assets			
Other non-current assets			
Total non-current assets		278,622,822.03	341,052,251.79
Total assets		717,768,507.39	860,902,022.18

The accompanying notes form an integral part of these financial statements.

Legal representative:


Responsible person for
accounting:

Responsible person for
accountant:


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

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Liabilities and equity of owners	Note	Closing balance	Closing balance at the end of last year
Current liabilities:			
Short-term borrowings		10,008,250.00	10,009,930.56
Financial liabilities held for trading			
Derivative financial liabilities			
Bill payables			
Trade payables		101,114,519.04	143,670,630.12
Receipts in advance			
Contract liabilities		7,384,625.72	8,164,768.70
Employee remuneration payables		3,892,553.78	3,951,143.26
Tax and levy payables		131,331.03	769,600.70
Other payables		185,562,824.23	160,844,550.54
Liabilities held for trading			
Non-current liabilities due within one year		51,992,940.84	1,171,970.05
Other current liabilities		788,678.14	713,323.43
Total current liabilities		360,875,722.78	329,295,917.36
Non-current liabilities:			
Long-term borrowings			49,900,000.00
Bond payables			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		36,399,232.65	36,755,461.05
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred income		21,281,277.42	8,773,308.75
Deferred income tax liabilities		21,124.40	
Other non-current liabilities			
Total non-current liabilities		57,701,634.47	95,428,769.80
Total liabilities		418,577,357.25	424,724,687.16

31st December, 2025 (Amounts are expressed in RMB unless otherwise stated)

Liabilities and equity of owners	Note	Closing balance	Closing balance at the end of last year
Equity of owners:			
Share capital		519,521,560.00	519,521,560.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		29,010,027.79	29,010,027.79
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		34,724,097.27	34,724,097.27
Undistributed profit		-284,064,534.92	-147,078,350.04
Total equity of owners		299,191,150.14	436,177,335.02
Total liabilities and equity of owners		717,768,507.39	860,902,022.18

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Consolidated Income Statement

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
I. Total operating income		848,396,650.54	1,498,561,932.18
Including: Operating income	(XXXV)	848,396,650.54	1,498,561,932.18
Interest income			
Premium earned			
Fees and commission income			
II. Total operating costs		892,402,749.70	1,550,051,247.91
Including: Operating costs	(XXXV)	783,004,587.19	1,448,129,163.08
Interest expenses			
Fees and commission expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Bond insurance expenses			
Reinsurance costs			
Taxes and surcharges	(XXXVI)	4,590,429.34	6,206,335.95
Distribution costs	(XXXVII)	15,586,185.33	20,292,689.28
Administrative expenses	(XXXVIII)	66,021,881.48	56,292,650.86
Research and development expenses	(XXXIX)	20,115,734.02	15,104,789.35
Finance costs	(XL)	3,083,932.34	4,025,619.39
Including: Interest expenses		3,381,956.20	4,520,225.95
Interest income		435,892.84	657,253.64
Add: Other gains	(XLI)	11,313,947.55	11,759,106.85
Investment income			
(loss is denoted as “—”)	(XLII)	567,768.75	–577,693.13
Including: Investment income from associates and joint venture		–134,266.57	–577,693.13
Derecognition of gains from financial assets measured at amortization costs			
Exchange gain (loss is denoted as “—”)			
Net exposure to hedging gains (loss is denoted as “—”)			
Gain on changes in fair value (loss is denoted as “—”)			
Impairment loss on credit (loss is denoted as “—”)	(XLIII)	–6,816,655.77	7,773,581.84
Impairment loss on assets (loss is denoted as “—”)	(XLIV)	–15,067,150.89	–9,551,574.81
Gain on disposal of assets (loss is denoted as “—”)	(XLV)	1,067,874.14	

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
III. Operating profits (loss is denoted as “—”)		-52,940,315.38	-42,085,894.98
Add: Non-operating income	(XLVI)	2,459,730.36	4,587,492.82
Less: Non-operating charges	(XLVII)	1,840,202.02	2,085,498.65
IV. Total profits (total loss is denoted as “—”)		-52,320,787.04	-39,583,900.81
Less: Income tax expenses	(XLVIII)	2,676,548.45	5,214,888.35
V. Net profits (net loss is denoted as “—”)		-54,997,335.49	-44,798,789.16
(I) Classified by operation continuity			
1. Net profits from continuing operation (net loss is denoted as “—”)		-54,997,335.49	-44,798,789.16
2. Net profits from discontinued operation (net loss is denoted as “—”)			
(II) Classification by ownership			
1. Net profits attributable to owners of the Parent Company (net loss is denoted as “—”)		-54,824,904.28	-39,535,871.71
2. Minority interest income or loss (net loss is denoted as “—”)		-172,431.21	-5,262,917.45
VI. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to owners of the Parent Company			
(I) Other comprehensive income that will not be reclassified to profit or loss			
1. Re-measurement of changes under defined benefit schemes			
2. Other comprehensive income from non-transferable gains and losses under equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in fair value of the enterprise's own credit risk			

Consolidated Income Statement

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income from transferable gains and losses under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserve			
6. Exchange differences arising from translation of foreign currency denominated financial statements			
7. Others			
Net other comprehensive income after tax attributable to minority interests			
VII. Total comprehensive income		-54,997,335.49	-44,798,789.16
Total comprehensive income attributable to owners of the Parent Company		-54,824,904.28	-39,535,871.71
Total comprehensive income attributable to minority interests		-172,431.21	-5,262,917.45
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	(XLIX)	-0.11	-0.08
(II) Diluted earnings per share (RMB/share)	(XLIX)	-0.11	-0.08

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Income Statement of the Parent Company

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note XVI	Current period	Corresponding period last year
I. Operating income	(IV)	149,863,941.01	409,785,106.82
Less: Operating costs	(IV)	149,023,393.41	395,634,069.42
Business taxes and surcharges		1,102,091.57	2,457,903.76
Distribution costs		6,097,682.19	5,845,353.39
Administrative expenses		27,940,491.03	20,028,066.33
Research and development expenses		13,129,373.02	10,528,224.23
Finance costs		2,126,176.23	2,011,623.39
Including: Interest expenses		2,501,926.12	2,562,038.13
Interest income		424,136.50	617,397.20
Add: Other income		9,567,615.00	9,579,012.31
Investment income			
(loss is denoted as “—”)	(V)	9,865,734.43	21,869,630.74
Including: Investment income from			
associates and joint ventures		-134,266.57	-577,693.13
Derecognition of gains from			
financial assets measured			
at amortization costs			
Net exposure to hedging gains			
(loss is denoted as “—”)			
Gain on changes in fair value			
(loss is denoted as “—”)			
Impairment loss on credit			
(loss is denoted as “—”)		-36,387,935.30	14,326,283.40
Impairment loss on assets			
(loss is denoted as “—”)		-68,884,167.24	-4,182,581.25
Gain on disposal of assets			
(loss is denoted as “—”)			287,500.03
II. Operating profits (loss is denoted as “—”)		-135,394,019.55	15,159,711.53
Add: Non-operating income		237,588.36	457,672.78
Less: Non-operating expenses		1,545,971.47	1,832,914.50
III. Total profits (total loss is denoted as “—”)		-136,702,402.66	13,784,469.81
Less: Income tax expenses		283,782.22	18,873.05
IV. Net profits (net loss is denoted as “—”)		-136,986,184.88	13,765,596.76
(1) Net profits from continuing operation			
(net loss is denoted as “—”)		-136,986,184.88	13,765,596.76
(2) Net profits from discontinued operation			
(net loss is denoted as “—”)			

Item	Note XVI	Current period	Corresponding period last year
V. Net other comprehensive income after tax			
(1) Other comprehensive income that will not be reclassified to profit or loss			
1. Re-measurement of changes under defined benefit schemes			
2. Other comprehensive income from non-transferable gains and losses under equity method			
3. Changes in fair value of investments in other equity instruments			
4. Changes in fair value of the enterprise's own credit risk			
(2) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income from transferable gains and losses under equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified to other comprehensive income			
4. Provision for credit impairment of other debt investment			
5. Cash flow hedging reserve			
6. Exchange differences arising from translation of foreign currency denominated financial statements			
7. Others			
VI. Total comprehensive income		-136,986,184.88	13,765,596.76

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Consolidated Cash Flows Statement

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
I. Cash flow generated from operating activities			
Cash received from sale of goods and rendering of services		1,077,146,695.41	1,774,643,491.23
Net increase in deposit taking from customers and placement from banks and other financial institutions			
Net increase in loans from central bank			
Net increase in funds borrowed from banks and other financial institutions			
Cash received from premiums on direct insurance contracts			
Net cash received from reinsurance operation			
Net increase in insured's deposits and investments			
Cash received for interests, fees and commissions			
Net increase in placements from banks and other financial institutions			
Net increase in funds from repurchases			
Net cash received from customer brokerage deposits			
Refund of taxes and levies received			
Other cash received relating to operating activities	(LI)	39,406,900.13	45,895,991.12
Sub-total of cash inflow from operating activities		1,116,553,595.54	1,820,539,482.35

Consolidated Cash Flows Statement

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
Cash paid for purchase of goods and services received		876,176,730.97	1,514,050,052.06
Net increase in customers' loans and advance			
Net increase in central bank and interbank placement			
Cash paid for claim settlements on direct insurance contracts			
Net increase in interbank lending to banks and other financial institutions			
Cash paid for interest, fees and commissions			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		75,196,856.16	84,774,508.56
Payments for all types of taxes and levies		36,842,259.46	48,653,579.61
Other cash paid relating to operating activities (LI)		79,927,173.71	46,939,774.14
Sub-total of cash outflow from operating activities		1,068,143,020.30	1,694,417,914.37
Net cash flow generated from operating activities		48,410,575.24	126,121,567.98
II. Cash flow generated from investment activities			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		1,124,034.19	
Net cash received from disposal of subsidiaries and other business units		-12,835.86	
Other cash received relating to investment activities (LI)			453,260.45
Sub-total of cash inflow from investment activities		1,111,198.33	453,260.45

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		6,735,878.81	11,287,396.18
Cash paid for investments			
Net increase in pledged loans			
Net cash paid for acquiring subsidiaries and other business units			
Other cash paid relating to investment activities	(LI)		300.00
Sub-total of cash outflow from investment activities		6,735,878.81	11,287,696.18
Net cash flow generated from investment activities		-5,624,680.48	-10,834,435.73
III. Cash flow generated from financing activities			
Cash received from capital contribution		954,403.20	490,000.00
Including: Cash received by subsidiaries from capital contribution of minority interest		954,403.20	490,000.00
Cash received from loans obtained		50,000,000.00	79,277,800.00
Other cash received relating to financing activities			
Sub-total of cash inflow from financing activities		50,954,403.20	79,767,800.00
Cash paid for debt services		45,177,800.00	88,290,000.00
Cash paid for distribution of dividends, profit or interest expenses		2,996,255.58	5,100,835.35
Including: Dividends and profit payable by subsidiaries to minority interest			1,230,000.00
Other cash paid relating to financing activities	(LI)	1,870,241.94	23,045,191.46

Consolidated Cash Flows Statement

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Note V	Current period	Corresponding period last year
Sub-total of cash outflow from financing activities		50,044,297.52	116,436,026.81
Net cash flow generated from financing activities		910,105.68	-36,668,226.81
IV.Effect of changes in foreign exchange rate on cash and cash equivalents			
V.Net increase in cash and cash equivalents	(LII)	43,696,000.44	78,618,905.44
Add: Balance of cash and cash equivalents at the beginning of the period	(LII)	414,686,831.23	336,067,925.79
VI.Balance of cash and cash equivalents at the end of the period	(LII)	458,382,831.67	414,686,831.23

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Cash Flows Statement of the Parent Company

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Notes	Current period	Corresponding period last year
I. Cash flow generated from operating activities			
Cash received from sale of goods and rendering of services		206,145,995.49	434,555,226.79
Refund of taxes and levies received			
Other cash received relating to operating activities		66,512,729.88	44,133,242.76
Sub-total of cash inflow from operating activities		272,658,725.37	478,688,469.55
Cash paid for purchase of goods and services received		247,775,471.94	358,227,848.18
Cash paid to and on behalf of employees		28,428,493.42	34,004,201.63
Payments of all types of taxes and levies		3,760,530.43	19,017,227.48
Other cash paid relating to operating activities		43,947,135.94	40,195,877.56
Sub-total of cash outflow from operating activities		323,911,631.73	451,445,154.85
Net cash flow generated from operating activities		-51,252,906.36	27,243,314.70
II. Cash flow from investment activities			
Cash received from recovery of investments		10,000,001.00	22,447,323.87
Cash received from returns on investments			
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets		104,617.21	447,032.07
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investment activities			
Sub-total of cash inflow from investment activities		10,104,618.21	22,894,355.94

Cash Flows Statement of the Parent Company

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Notes	Current period	Corresponding period last year
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		3,372,098.38	4,019,730.97
Cash paid for investments		4,140,875.13	12,510,000.00
Net cash paid for acquiring subsidiaries and other business units			20,161,900.00
Other cash paid relating to investment activities			
Sub-total of cash outflow from investment activities		7,512,973.51	36,691,630.97
Net cash flow generated from investment activities		2,591,644.70	-13,797,275.03
III. Cash flow generated from financing activities			
Cash received from capital contribution			
Cash received from loans obtained		40,000,000.00	60,000,000.00
Other cash received relating to financing activities		5,182,273.58	11,266,452.73
Sub-total of cash inflow from financing activities		45,182,273.58	71,266,452.73
Cash paid for debt services		40,200,000.00	65,100,000.00
Cash paid for distribution of dividends and profits or payment of interests		2,467,367.67	2,551,993.06
Other cash paid relating to financing activities		1,592,241.94	5,863,622.02
Sub-total of cash outflow from financing activities		44,259,609.61	73,515,615.08
Net cash flow generated from financing activities		922,663.97	-2,249,162.35

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Notes	Current period	Corresponding period last year
IV.Effect of changes in foreign exchange rate on cash and cash equivalents			
V.Net increase in cash and cash equivalents		-47,738,597.69	11,196,877.32
Add: balance of cash and cash equivalents at the beginning of the period		212,334,168.23	201,137,290.91
VI.Balance of cash and cash equivalents at the end of the period		164,595,570.54	212,334,168.23

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



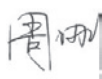
Consolidated Statement of Changes in Owners' Equity

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Current period											Total equity of owners	
	Equity attributable to owners of the Parent Company												
	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total		
		Preference shares	Perpetual bonds										Others
I. Closing balance at the end of last year	519,521,560.00			52,931,658.62			32,735.56	34,724,087.27		-225,492,586.33	381,717,665.12	28,290,502.96	410,008,168.08
Add: Changes in accounting policies													
Correction of errors of previous periods													
Business combination under common control													
Others													
II. Opening balance of the year	519,521,560.00			52,931,658.62			32,735.56	34,724,087.27		-225,492,586.33	381,717,665.12	28,290,502.96	410,008,168.08
III. Increase/decrease in the current period (decrease is denoted as "-")							-32,435.56			-54,824,904.28	-54,857,339.84	1,458,475.57	-53,400,864.27
(I) Total comprehensive income										-54,824,904.28	-54,824,904.28	-172,431.21	-54,987,335.49
(II) Capital contribution and reduction by owners												1,628,906.78	1,628,906.78
1. Ordinary shares from owners												954,403.20	954,403.20
2. Capital contribution by holders of other equity instruments													
3. Amount of share-based payment included in owners' equity													
4. Others												674,503.58	674,503.58
(III) Profit appropriation													
1. Transfer to surplus reserve													
2. Transfer to general risk reserve													
3. Appropriation to owners (or shareholders)													
4. Others													
(IV) Internal transfer of owners' equity													
1. Capitalization of capital reserve to capital (or share capital)													
2. Capitalization of surplus reserve to capital (or share capital)													
3. Surplus reserve for making up losses													
4. Transfer of change amount of defined benefit schemes to retained earnings													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(V) Special reserve							-32,435.56				-32,435.56		-32,435.56
1. Transfer for the period							6,931,683.86				6,931,683.86		6,931,683.86
2. Utilized during the period							6,964,119.42				6,964,119.42		6,964,119.42
(VI) Others													
IV. Closing balance for the period	519,521,560.00			52,931,658.62			300.00	34,724,087.27		-280,317,490.61	326,860,325.28	29,746,978.53	356,607,303.81

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Consolidated Statement of Changes in Owners' Equity

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Corresponding period last year												Total equity of owners
	Equity attributable to owners of the Parent Company												
	Share capital	Preference shares	Other equity instruments Perpetual bonds	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total	Minority interest	
			Others										
I. Closing balance at the end of last year	519,521,560.00			73,083,758.62			300.00	34,724,097.27		-185,956,714.62	441,383,001.27	34,323,672.79	475,706,674.06
Add: Changes in accounting policies													
Correction of errors of previous periods													
Business combination under common control													
Others													
II. Opening balance of the year	519,521,560.00			73,083,758.62			300.00	34,724,097.27		-185,956,714.62	441,383,001.27	34,323,672.79	475,706,674.06
III. Increase/decrease in the current period (decrease is denoted as "-")				-20,161,900.00			32,435.56			-39,535,871.71	-39,535,871.71	-5,033,169.83	-65,698,505.98
(I) Total comprehensive income													
(II) Capital contribution and reduction by owners				-20,161,900.00						-39,535,871.71	-39,535,871.71	-5,262,917.45	-44,798,789.16
1. Ordinary shares from owners												490,000.00	490,000.00
2. Capital contribution by holders of other equity instruments													
3. Amount of share-based payment included in owners' equity													
4. Others				-20,161,900.00							-20,161,900.00	-30,252.38	-20,192,152.38
(III) Profit appropriation												-1,230,000.00	-1,230,000.00
1. Transfer to surplus reserve													
2. Transfer to general risk reserve													
3. Appropriation to owners (or shareholders)												-1,230,000.00	-1,230,000.00
4. Others													
(IV) Internal transfer of owners' equity													
1. Capitalization of capital reserve to capital (or share capital)													
2. Capitalization of surplus reserve to capital (or share capital)													
3. Surplus reserve for making up losses													
4. Transfer of change amount of defined benefit schemes to retained earnings													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(V) Special reserve							32,435.56				32,435.56		32,435.56
1. Transfer for the period							110,000.00				110,000.00		110,000.00
2. Utilized during the period							77,564.44				77,564.44		77,564.44
(VI) Others													
IV. Closing balance for the period	519,521,560.00			52,931,858.62			32,735.56	34,724,097.27		-225,492,586.33	381,717,665.12	28,290,502.96	410,008,168.08

The accompanying notes form an integral part of these financial statements.

Legal representative:


Responsible person for
accounting:

Responsible person for
accountant:


Statement of Changes in Owners' Equity of the Parent Company

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Share capital	Other equity instruments		Capital reserve	Current period		Special reserve	Surplus reserve	Undistributed profit	Total equity of owners
		Preference shares	Perpetual bonds		Less: Treasury shares	Other comprehensive income				
I. Closing balance at the end of last year	519,521,560.00			29,010,027.79				34,724,097.27	-147,078,350.04	436,177,335.02
Add: Changes in accounting policies										
Correction of errors of previous periods										
Others										
II. Opening balance of the year	519,521,560.00			29,010,027.79				34,724,097.27	-147,078,350.04	436,177,335.02
III. Increase/decrease in the current period (decrease is denoted as "-")										
(i) Total comprehensive income									-136,966,164.88	-136,966,164.88
(ii) Capital contribution and reduction by owners									-136,966,164.88	-136,966,164.88
1. Ordinary shares from owners										
2. Capital contribution by holders of other equity instruments										
3. Amount of share-based payment included in owners' equity										
4. Others										
(iii) Profit appropriation										
1. Transfer to surplus reserve										
2. Appropriation to owners (or shareholders)										
3. Others										
(iv) Internal transfer of owners' equity										
1. Capitalization of capital reserve to capital (or share capital)										
2. Capitalization of surplus reserve to capital (or share capital)										
3. Surplus reserve for making up losses										
4. Transfer of change amount of defined benefit schemes to retained earnings										
5. Transfer of other comprehensive income to retained earnings										
6. Others										
(v) Special reserve										
1. Transfer for the period										
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the period	519,521,560.00			29,010,027.79				34,724,097.27	-284,064,534.92	299,191,150.14

The accompanying notes form an integral part of these financial statements.

Legal representative:



Responsible person for accounting:



Responsible person for accountant:



Statement of Changes in Owners' Equity of the Parent Company

The Year of 2025 (Amounts are expressed in RMB unless otherwise stated)

Item	Share capital	Other equity instruments		Capital reserve	Corresponding period last year		Special reserve	Surplus reserve	Undistributed profit	Total equity of owners
		Preference shares	Perpetual bonds		Less: Treasury shares	Other comprehensive income				
I. Closing balance at the end of last year	519,521,560.00			24,322,584.31				34,724,097.27	-160,843,946.80	417,724,294.78
Add: Changes in accounting policies										
Correction of errors of previous periods										
Others										
II. Opening balance of the year	519,521,560.00			24,322,584.31				34,724,097.27	-160,843,946.80	417,724,294.78
III. Increase/decrease in the current period (decrease is denoted as "-")				4,687,443.48					13,765,596.76	18,453,040.24
(i) Total comprehensive income									13,765,596.76	13,765,596.76
(ii) Capital contribution and reduction by owners				4,687,443.48						4,687,443.48
1. Ordinary shares from owners										
2. Capital contribution by holders of other equity instruments										
3. Amount of share-based payment included in owners' equity										
4. Others				4,687,443.48						4,687,443.48
(iii) Profit appropriation										
1. Transfer to surplus reserve										
2. Appropriation to owners (or shareholders)										
3. Others										
(iv) Internal transfer of owners' equity										
1. Capitalization of capital reserve to capital (or share capital)										
2. Capitalization of surplus reserve to capital (or share capital)										
3. Surplus reserve for making up losses										
4. Transfer of change amount of defined benefit schemes to retained earnings										
5. Transfer of other comprehensive income to retained earnings										
6. Others										
(v) Special reserve										
1. Transfer for the period										
2. Utilized during the period										
(vi) Others										
IV. Closing balance for the period	519,521,560.00			29,010,027.79				34,724,097.27	-147,078,350.04	436,177,335.02

The accompanying notes form an integral part of these financial statements.

Legal representative:


Responsible person for
accounting:

Responsible person for
accountant:


Notes to Financial Statements

for Year 2025 (Unless specifically indicated, expressed in RMB)

I. 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.

In 2023, Xinjiang Tianye Company Limited transferred 38.91% equity interest so held to Xinjiang Tianye (Group) Limited* (新疆天業(集團)有限公司) (hereinafter referred to as “Tianye Group”). In 2025, Tianye Group transferred 60.42% equity interest so held to 新疆天澤水利投資發展有限公司 (Xinjiang Tianze Water Conservancy Investment and Development Co., Ltd.*) (hereinafter referred to as “Tianze Water Investment”). Upon the equity transfer, the shareholding structure of the Company is: 60.42% of the Company’s share is held by Tianze Water Investment; 0.46% of the Company’s share is held by China Academy of Machinery Science and Technology Group Co., Ltd.* (中國機械科學總院集團有限公司); 0.16% of the Company’s share is held by Shihezi State-owned Assets Management (Group) Co., Ltd. (石河子國有資產經營(集團)有限公司); 38.96% of all issued capital of the Company is held by H Shareholders (holders of foreign listed foreign investment shares).

Credibility Code of Business License of Enterprise Legal Person: 91650000757655578C; Registered capital: RMB519,521,560.00; Total number of shares: 519,521,560 shares (with a nominal value of RMB1 each), of which 317,121,560 shares are held by domestic legal persons and 202,400,000 shares are overseas H shares.

The Company transferred its share listing from the Growth Enterprise Market of the Hong Kong Stock Exchange to the Main Board of the Hong Kong Stock Exchange on 24th January, 2008, with its stock code changed from 8280 to 00840.

Industry: Plastic product manufacturing industry; Business scope: Production and sales of PVC/PE water saving products for water supply and various accessories, drip tapes and drippers; sales of chemical plastic raw materials; water conservancy and hydropower project construction service; land agricultural service.

These financial statements had been approved by the Board on 31st March, 2026 for publication.

The Company included the following 16 subsidiaries into the consolidated financial statements for the period. For details, please refer notes 7 and 8 to these financial statements.

I. CORPORATE BACKGROUND *(continued)*

Subsidiary name	Short name
Gansu Tianye Water Saving Device Co., Ltd	Gansu Tianye
Xinjiang Tiantun Supply Chain Co., Ltd*	Tiantun Supply Chain
Akesu Tianye Water Saving Co., Ltd*	Akesu Tianye
Shihezi Tiancheng Water Saving Device Co., Ltd	Tiancheng Water Saving
Liaoning Tianye Water Saving Irrigation Co., Ltd*	Liaoning Tianye
Xinjiang Tianye Nanjiang Water Saving Agriculture Co., Ltd*	Nanjiang Water Saving
Zhongxinnong Modern Water Saving Technology Company Limited*	Zhongxinnong Water Saving
Xinjiang Tianye Wisdom Agriculture Technology Company Limited*	Wisdom Agriculture
Shihezi Xiyu Water Conservancy and Hydropower Construction and Installation Engineering Co., Ltd.*	Xiyu Water Conservancy
Shihezi Tianye Xiying Water Saving Device Co., Ltd.*	Xiying Water Saving
Liaoning Tianfu Ecological Agriculture Development Group Co., Ltd.*	Tianfu Ecological
Xinjiang Hongrui Huixin New Materials Technology Co., Ltd.*	Hongrui Huixin
Xinjiang Tianye Modern Agricultural Technology Co., Ltd.	Modern Agricultural
Shihezi Silu Tianyang Pre-Mixed Concrete Co., Ltd.*	Silu Tianyang
Henan Tianye Modern Agricultural Technology Co., Ltd.*	Henan Tianye
Beijing Tianye International Agricultural Engineering and Technology Co., Ltd.*	Beijing Tianye

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**(I) Basis of preparation**

These financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises — Basic Standards” promulgated by the Ministry of Finance and various specific accounting standards, the application guidelines on enterprise accounting standards, the interpretation of accounting standards for business enterprises and other relevant requirements (hereinafter referred to as the “Accounting Standards for Business Enterprises”), and relevant requirements of the “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Requirements of Financial Report” promulgated by China Securities Regulatory Commission.

In addition, these financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities promulgated by the Stock Exchange of Hong Kong Limited, and also comply with the applicable disclosure requirements of the Companies Ordinance of Hong Kong.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(continued)*

(II) Continue as a going concern

These financial statements are prepared on a going concern basis.

Upon evaluation, there is no event of the Company which casts material doubts to the going concern abilities for 12 months from the end of the reporting period.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The below disclosure has covered the Company's specific accounting policies and accounting estimates formulated based on actual production and operation characteristics.

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

These financial statements are in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance, and give a true and complete view on the consolidated and parent company's financial position as at 31st December, 2025 as well as the consolidated and parent company's operating results and cash flow for year 2025 for the Company.

(II) Accounting period

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

(III) Operating cycle

The Company's operating cycle is 12 months.

(IV) Functional currency

The Company adopts Renminbi as the functional currency.

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

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

Accounting treatment for business combinations under common control: Assets and liabilities (including the goodwill arising from the acquisition of the combined party by the ultimate controlling party) obtained by the acquiring party in business combinations are measured at the carrying amounts of assets and liabilities attributable to the combined party as recorded in the consolidated financial statements of the ultimate controlling party at the date of combination. Based on the difference between the carrying amount of net assets obtained in the combination and the carrying amount of combination consideration paid (or the total nominal amount of issued shares), the share capital premium in the capital reserve is adjusted. If the share capital premium in the capital reserve is insufficient to offset the difference, any excess is adjusted against the retained earnings.

Accounting treatment for business combinations not under common control: The cost of combination is the assets paid, the liabilities incurred or committed and fair value of the equity securities issued by the acquirer for acquisition of control over the acquiree on the date of acquisition. The excess of the cost of combination over the fair value of the attributable net identifiable assets of the acquiree acquired in the combination is recognized as goodwill. Where the cost of combination is less than the fair value of the attributable net identifiable assets of the acquiree acquired in the combination, the difference is included in the current profit or loss. All identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the combination which satisfy recognition conditions are measured at fair value at the acquisition date.

Direct expenses arising in relation to business combination are included in the current profit or loss at its occurrence. Transaction fees of the issuance of equity securities or debt securities issued for business combination are included at the initial recognized amount of such equity securities or debt securities.

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

(VI) Criteria for determining control and preparation method of consolidated financial statements

1. Criteria for determining control

The consolidation scope of consolidated financial statements is determined based on control, and it includes the Company and all subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

2. Consolidation procedures

When preparing the consolidated financial statements, the Company considers the entire enterprise group as a single accounting entity and presents the overall financial position, operating results and cash flows of the enterprise group based on consistent accounting policies. The impact of internal transactions between the Company and its subsidiaries, and among its subsidiaries, shall be offset. If internal transactions indicate impairment losses on relevant assets, such losses shall be recognized in full. Any inconsistent accounting policies and accounting period adopted by a subsidiary will be subject to necessary adjustments to align with those of the Company when preparing the consolidated financial statements.

Owners' equity, net the current profit or loss and comprehensive income attributable to minority shareholders of the current period of subsidiaries are stated separately under owners' equity in the consolidated balance sheet, net profit and total comprehensive income in the consolidated income statement respectively. Loss of the current period assumed by minority shareholders of a subsidiary in excess of minority shareholders' share of owners' equity in that subsidiary at the beginning of the period is offset against minority interests.

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

(VI) Criteria for determining control and preparation method of consolidated financial statements *(continued)*

2. Consolidation procedures *(continued)*

(1) Addition of subsidiaries or business

During the reporting period, if a subsidiary or business is added due to a business combination under common control, the operating results and cash flows of the subsidiary or business combination from the beginning of the current period to the end of the reporting period are included in the consolidated financial statements, and the opening balances in the consolidated financial statements and relevant items in the comparative statements are adjusted as if the consolidated reporting entity has been in existence since the point in time when the ultimate controlling party gained control.

If the control over the investee under common control is achieved due to additional investment or other reasons, the equity investment held before the control over the combined party is obtained, and the relevant profit or loss, other comprehensive income and other changes in net assets recognized from the later of the date of acquisition of the original equity and the date when the combining party and the combined party are under common control to the date of combination, shall reduce the opening retained earnings of the comparative statement period or the current profit or loss, respectively.

During the reporting period, if a subsidiary or business is added due to a business combination not under common control, the fair value of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date shall be included in the consolidated financial statements from the acquisition date.

If the control over the investee not under common control is achieved due to additional investment or other reasons, the equity of the acquiree held before the acquisition date shall be remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value shall be included in the investment income for the current period. Other comprehensive income that may be reclassified to profit or loss in subsequent periods related to the equity of the acquiree held before the acquisition date and other changes in owners' equity under the equity method shall be transferred to the investment income of the period to which the acquisition date belongs.

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

(VI) Criteria for determining control and preparation method of consolidated financial statements *(continued)*

2. Consolidation procedures *(continued)*

(2) Disposal of subsidiaries

① General treatment

When the control over the investee is lost due to the disposal of part of the equity investment or other reasons, the remaining equity investment after disposal is remeasured at its fair value on the date when the control is lost. The sum of the consideration obtained from the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated continuously from the acquisition date or the consolidation date based on the original shareholding ratio and the goodwill, is included in the investment income for the period when the control is lost. Other comprehensive income that may be reclassified to profit or loss in subsequent periods related to the original subsidiary's equity investment and other changes in owners' equity under the equity method shall be transferred to investment income for the period when the control is lost.

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

(VI) Criteria for determining control and preparation method of consolidated financial statements *(continued)*

2. Consolidation procedures *(continued)*

(2) Disposal of subsidiaries *(continued)*

② Disposal of subsidiaries in stages

Where the equity investment in a subsidiary is disposed of in multiple transactions until the control is lost, if the terms, conditions and economic impact of each transaction to dispose of the equity investment in a subsidiary meet one or more of the following criteria, it usually indicates that such multiple transactions are a package transaction:

- i. These transactions are entered into at the same time or with consideration of each other's impact;
- ii. Only when these transactions taken as a whole can achieve a complete commercial result;
- iii. The occurrence of a transaction depends on the occurrence of at least one other transaction;
- iv. A transaction is uneconomic alone but is economical when considered together with other transactions.

If the various transactions belong to a package transaction, each transaction shall be accounted for as a transaction to dispose of a subsidiary resulting in the loss of control; before losing control, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the investment disposed shall be recognized as other comprehensive income in the consolidated financial statements, and transferred altogether to the current profit or loss when the control is lost upon the loss of control.

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

(VI) Criteria for determining control and preparation method of consolidated financial statements *(continued)*

2. Consolidation procedures *(continued)*

(2) Disposal of subsidiaries *(continued)*

② Disposal of subsidiaries in stages *(continued)*

If the various transactions do not belong to a package transaction, prior to the loss of control, the partial disposal of the equity investment in the subsidiary shall be accounted for as a transaction without losing control; when the control is lost, the transaction shall be accounted for using the general treatment method for the disposal of a subsidiary.

(3) Acquisition of minority interests in subsidiaries

For the difference between the long-term equity investment newly acquired through the purchase of minority interests and the share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding ratio, adjustment shall be made to the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted.

(4) Partial disposal of equity investment in subsidiaries without losing control

For the difference between the disposal price and the share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date corresponding to the disposal of the long-term equity investment, adjustment shall be made to the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted.

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

(VII) Classification of joint arrangements and accounting treatment for joint operations

Joint arrangements are classified into joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties to which have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognizes the following items related to its interest in a joint operation:

- (1) recognize the assets held solely by the Company and the assets jointly held based on the shareholding of the Company;
- (2) recognize the liabilities solely assumed by the Company and the liabilities jointly assumed based on the shareholding of the Company;
- (3) recognize the revenue generated from the sale of the Company's share of the output of the joint operation;
- (4) recognize the revenue generated from the sale of output by the joint operation based on the shareholding of the Company;
- (5) recognize the expenses incurred separately and the expenses incurred by the joint operation based on the shareholding of the Company.

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

(VIII) Recognition criteria of cash and cash equivalents

Cash refers to the Company's cash on hand and deposits readily available for payments. Cash equivalents represent the short-term, highly liquid investments held by the Company that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

(IX) Foreign currency business and translation of foreign currency statements

1. Foreign currency business

For foreign currency business, the spot exchange rate on the date of transaction is used as the conversion rate to convert the foreign currency amount into RMB.

The balance of foreign currency monetary items as at the balance sheet date is converted at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profit or loss, except for the exchange differences arising from special foreign currency borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs.

2. Translation of foreign currency financial statements

The asset and liability items in the balance sheet are translated using the spot exchange rate on the balance sheet date; the owner's equity items, except for the item of "undistributed profit", are translated using the spot exchange rate at the time of occurrence. The income and expense items in the income statement are translated at the spot exchange rate on the transaction date.

When disposing of a foreign operation, the translation difference of the foreign currency financial statements related to the foreign operation is transferred from the owner's equity item to the profit or loss of the period when the disposal occurs.

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

(X) Financial instruments

When the Company becomes a party to a financial instrument contract, a financial asset, financial liability or equity instrument is recognized.

1. Classification of financial instruments

According to the Company's business model for managing financial assets and the characteristics of contractual cash flows of financial assets, financial assets are classified at initial recognition as: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit or loss (FVTPL).

The Company classifies financial assets that meet the following conditions and are not designated as financial assets at FVTPL as financial assets measured at amortized cost:

- The business model aims to collect contractual cash flows;
- The contractual cash flows are solely payments of principal and interest on the outstanding principal amount.

The Company classifies financial assets that meet the following conditions and are not designated as financial assets at FVTPL as financial assets at FVOCI (debt instruments):

- The business model aims to both collect contractual cash flows and sell the financial assets;
- The contractual cash flows are solely payments of principal and interest on the outstanding principal amount.

For non-trading equity instrument investments, the Company may irrevocably designate them as financial assets measured at FVOCI (equity instruments) at initial recognition. This designation is made on an investment-by-investment basis and the underlying investment shall meet the definition of equity instrument from the perspective of the issuer.

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

(X) Financial instruments *(continued)*

1. Classification of financial instruments *(continued)*

Except for the financial assets measured at amortized cost and at FVOCI mentioned above, the Company classifies all other financial assets as financial assets at FVTPL. At initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Company can irrevocably designate financial assets that would otherwise be classified as financial assets measured at amortized cost or at FVOCI as financial assets measured at FVTPL.

Financial liabilities are classified at initial recognition as: financial liabilities at FVTPL and financial liabilities measured at amortized cost.

Financial liabilities that meet one of the following conditions can be designated as financial liabilities at FVTPL at initial measurement:

- 1) Such designation can eliminate or significantly reduce accounting mismatch.
- 2) A group of financial liabilities or a group of financial assets and financial liabilities is managed and the performance of which is assessed based on fair value in accordance with the enterprise's risk management or investment strategy as stated in the formal written documents, and is reported to key management personnel on this basis within the enterprise.
- 3) The financial liabilities include embedded derivatives that need to be separated individually.

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

(X) Financial instruments *(continued)*

2. Basis for recognition and measurement of financial instruments

(1) *Financial assets measured at amortized cost*

Financial assets measured at amortized cost, including bills receivable, trade receivables, other receivables, long-term receivables and debt investments, are initially measured at fair value, and relevant transaction costs are included in the initial recognition amount; trade receivables that do not contain significant financing components and trade receivables that the Company determines not to consider the financing components not exceeding one year are initially measured at the contractual transaction price.

Interest calculated using the effective interest method during the holding period is included in the current profit or loss.

When recovered or disposed, the difference between the price obtained and the carrying amount of the financial asset is included in the current profit or loss.

(2) *Financial assets at FVOCI (debt instruments)*

Financial assets measured at FVOCI (debt instruments), including receivables financing and other debt investments, are initially measured at fair value, and relevant transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value, with changes in fair value included in other comprehensive income except for interest calculated using the effective interest method, impairment losses or gains and exchange gains and losses.

Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit or loss.

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

(X) Financial instruments *(continued)*

2. Basis for recognition and measurement of financial instruments *(continued)*

(3) Financial assets at FVOCI (equity instruments)

Financial assets measured at FVOCI (equity instruments), including other equity instrument investments, are initially measured at fair value, and relevant transaction costs are included in the initial recognition amount. The financial assets are subsequently measured at fair value, with changes in fair value included in other comprehensive income. Dividends obtained are recognized in the current profit or loss.

Upon derecognition, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

(4) Financial assets at FVTPL

Financial assets measured at FVTPL, including financial assets held for trading, derivative financial assets and other non-current financial assets, are initially measured at fair value, and relevant transaction costs are included in the current profit or loss. The financial assets are subsequently measured at fair value, with changes in fair value included in the current profit or loss.

(5) Financial liabilities at FVTPL

Financial liabilities measured at FVTPL, including financial liabilities held for trading and derivative financial liabilities, are initially measured at fair value, and relevant transaction costs are included in the current profit or loss. The financial liabilities are subsequently measured at fair value, with changes in fair value included in the current profit or loss.

Upon derecognition, the difference between the carrying amount and the consideration paid is included in the current profit or loss.

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

(X) Financial instruments *(continued)*

2. Basis for recognition and measurement of financial instruments *(continued)*

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost, including short-term borrowings, bills payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, are initially measured at fair value, and relevant transaction costs are included in the initial recognition amount.

Interest calculated using the effective interest method during the holding period is included in the current profit or loss.

Upon derecognition, the difference between the consideration paid and the carrying amount of the financial liability is included in the current profit or loss.

3. Basis for recognition and measurement of derecognition of financial assets and transfer of financial assets

Financial assets are derecognized when one of the following conditions is met:

- The contractual right to the cash flow from the financial asset is terminated;
- The financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee;
- The financial asset has been transferred and although the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it does not retain control over the financial asset.

If the Company and the counterparty revise or renegotiate the contract and it constitutes a substantial modification, the original financial asset is derecognized and a new financial asset is recognized in accordance with the revised terms.

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

(X) Financial instruments *(continued)*

3. Basis for recognition and measurement of derecognition of financial assets and transfer of financial assets *(continued)*

When a transfer of a financial asset occurs, if substantially all the risks and rewards of ownership of the financial asset are retained, the financial asset is not derecognized.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted.

The Company classifies the transfer of financial assets into a whole transfer and a partial transfer of financial assets. For a whole transfer of a financial asset that qualifies for derecognition, the difference between the two amounts below is recognized in the current profit or loss:

- (1) The carrying amount of the transferred financial asset;
- (2) The sum of the consideration received from the transfer and the accumulated changes in fair value originally directly included in owners' equity (where the financial asset transferred is a financial asset measured at FVOCI (debt instrument)).

If the partial transfer of a financial asset meets the conditions for derecognition, the overall carrying amount of the transferred financial assets shall be apportioned according to their respective relative fair values between the part derecognized and the part that is not derecognized, and the difference between the following two amounts shall be included in the current profit or loss:

- (1) The carrying amount of the part derecognized;
- (2) The sum of the consideration for the part derecognized and the amount corresponding to the part derecognized in the accumulated changes in fair value originally and directly included in owners' equity (where the financial asset transferred is a financial asset measured at FVOCI (debt instrument)).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial assets shall continue to be recognized, and the consideration received shall be recognized as a financial liability.

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

(X) Financial instruments *(continued)*

4. Derecognition of financial liabilities

If all or part of the current obligations of a financial liability have been discharged, the financial liability or part thereof is derecognized. If the Company enters into an agreement with a creditor to replace the existing financial liability with a new financial liability, and the contractual terms of the new financial liability are substantially different from the existing financial liability, the existing financial liability is derecognized and the new financial liability is recognized at the same time.

If substantial modifications are made to all or part of the contractual terms of the existing financial liability, the existing financial liability or part thereof is derecognized, and the financial liability with the terms modified is recognized as a new financial liability.

When a financial liability is derecognized in whole or in part, the difference between the carrying amount of the financial liability derecognized and the consideration paid (including any non-cash assets transferred out or new financial liabilities assumed) is included in the current profit or loss.

If the Company repurchases part of the financial liability, the carrying amount of the financial liability as a whole will be allocated based on the relative fair value of the part that continues to be recognized and the part derecognized on the repurchase date. The difference between the carrying amount allocated to the part derecognized and the consideration paid (including any non-cash assets transferred out or new financial liabilities assumed) is included in the current profit or loss.

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

(X) Financial instruments *(continued)*

5. Determination of fair value of financial assets and financial liabilities

If there is an active market for a financial instrument, the quoted price in the active market is used to determine its fair value. The fair value of financial instruments without an active market is determined by using valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable in the current circumstances and are supported by sufficient available data and other information, selects inputs that are consistent with the characteristics of the assets or liabilities considered by market participants in the transaction of the relevant assets or liabilities, and gives priority to the use of relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are not available or the obtaining of which are impracticable.

6. Testing and accounting of impairment of financial instruments

The Company accounts for impairment on financial assets measured at amortized cost, financial assets measured at FVOCI (debt instruments) and financial guarantee contracts based on expected credit losses (ECLs).

The Company considers reasonable and justifiable information about past events, current conditions and forecasts of future economic conditions and calculates the probability-weighted amount of the present value of the difference between the cash flows receivable from the contract and the cash flows expected to be received based on the risk of default to determine the ECL.

For receivables and contract assets arising from transactions regulated by the Accounting Standards for Business Enterprises No. 14 — Revenue, the Company always measures loss allowance at an amount equal to lifetime ECLs regardless of whether they contain significant financing components.

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

(X) Financial instruments *(continued)*

6. Testing and accounting of impairment of financial instruments *(continued)*

For lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 — Leases, the Company chooses to always measure loss allowance at an amount equal to lifetime ECLs.

For other financial instruments, the Company assesses the changes in credit risk of relevant financial instruments since initial recognition on each balance sheet date.

The Company compares the risk of default on financial instruments as at the balance sheet date with the risk of default as at the date of initial recognition to determine the relative change in the risk of default over the expected life of the financial instruments to assess whether the credit risk of the financial instruments has increased significantly since initial recognition. The Company generally considers that the credit risk of a financial instrument has increased significantly if it is overdue for more than 30 days, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of the financial instrument has increased significantly since initial recognition, the Company measures its loss allowance at an amount equal to the lifetime ECLs of the financial instrument; if the credit risk of the financial instrument has not increased significantly since initial recognition, the Company measures its loss allowance at an amount equal to the 12-month ECLs of the financial instrument. The increase in or reversal of loss allowance resulting therefrom is included in the current profit or loss as an impairment loss or gain. For financial assets measured at FVOCI (debt instruments), loss allowance is recognized in other comprehensive income, and the impairment loss or gain is included in the current profit or loss, without reducing the carrying amount of the financial assets presented in the balance sheet.

If there is objective evidence that a receivable has been credit-impaired, the Company makes provision for impairment of the receivable on an individual basis.

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

(X) Financial instruments *(continued)*

6. Testing and accounting of impairment of financial instruments *(continued)*

Except for the above receivables for which bad debt provision is made individually, the Company classifies other financial instruments into several groups based on credit risk characteristics, and determines ECLs on a collective basis. The Company groups and determines the provision for ECLs of bills receivable, trade receivables, receivables financing, other receivables, contract assets and long-term receivables based on the followings:

- (1) *Financial instruments for which expected credit risks are assessed on a collective basis and ECLs are measured using the three-phase model*

Item	Basis for determining the group	Method for measuring ECLs
Other receivables — group of receivables from government authorities	Customer type	ECLs are calculated by using the exposure to default and 12-month or lifetime ECL rates with reference to historical credit loss experience,
Other receivables — group of receivables from non-government authorities		combined with the current situation and forecasts of future economic conditions
Group of related parties	Customer type	Combined with historical credit loss experience and credit impairment test, no provision for expected credit impairment loss is made

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

(X) Financial instruments *(continued)*

6. Testing and accounting of impairment of financial instruments *(continued)*

(2) *Receivables for which ECLs are measured on a collective basis using simplified measurement methods*

① Specific groups and methods for measuring ECLs

Item	Basis for determining the group	Method for measuring ECLs
Bills receivable — group of bank acceptance bills	Bill type	ECLs are calculated by using the exposure to default and lifetime ECL rates with reference to historical credit loss experience, combined with the current situation and forecasts of future economic conditions
Bills receivable — group of commercial acceptance bills		
Trade receivables — group of receivables from government authorities	Customer type	ECLs are calculated by preparing the reconciliation between aging of trade receivables and lifetime ECL rates with reference to historical credit loss experience, combined with the current situation and forecasts of future economic conditions
Trade receivables — group of receivables from non-government authorities		

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(X) Financial instruments** *(continued)***6. Testing and accounting of impairment of financial instruments** *(continued)*

(2) *Receivables for which ECLs are measured on a collective basis using simplified measurement methods* *(continued)*

① Specific groups and methods for measuring ECLs *(continued)*

Item	Basis for determining the group	Method for measuring ECLs
Contract assets — group of receivables from government authorities	Customer type	ECLs are calculated by preparing the reconciliation between aging of contract assets and lifetime ECL rates with reference to historical credit loss experience, combined with the current situation and forecasts of future economic conditions
Contract assets — group of receivables from non-government authorities		
Group of related parties	Customer type	Combined with historical credit loss experience and credit impairment test, no provision for expected credit impairment loss is made

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(X) Financial instruments** *(continued)***6. Testing and accounting of impairment of financial instruments** *(continued)*

(2) *Receivables for which ECLs are measured on a collective basis using simplified measurement methods (continued)*

- ② Age and reconciliation of lifetime ECL rates for trade receivables — groups of receivables from government authorities and contract assets — groups of receivables from government authorities

Age	ECL rate for trade receivables (%)
Within 1 year (inclusive, same below)	1
1–2 years	5
2–3 years	10
3–4 years	25
4–5 years	25
Over 5 years	90

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(X) Financial instruments** *(continued)***6. Testing and accounting of impairment of financial instruments** *(continued)*

(2) *Receivables for which ECLs are measured on a collective basis using simplified measurement methods* *(continued)*

- ③ Age and reconciliation of lifetime ECL rates for trade receivables — groups of receivables from non-government authorities and contract assets — groups of receivables from non-government authorities

Age	ECL rate for trade receivables (%)
Within 1 year (inclusive, same below)	3
1–2 years	15
2–3 years	20
3–4 years	50
4–5 years	50
Over 5 years	100

If the Company no longer reasonably expects that the contractual cash flows of financial assets can be fully or partially recovered, the balance of the carrying amount of the financial assets is written down directly.

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

(XI) Inventories

1. Classification and cost of inventories

Inventories are classified into: raw materials, reusable materials, goods on hand, self-manufactured semi-finished products, work in progress and consigned processing materials, etc.

Inventories are initially measured at cost, which includes procurement costs, processing costs and other expenses incurred to bring the inventories to their present location and condition.

2. Valuation of inventories dispatched

Inventories are valued using the weighted average method when dispatched.

3. Stocktaking system for inventories

The perpetual inventory system is adopted.

4. Amortization of low-value consumables and packaging materials

- (1) Low-value consumables are written off on a one-off basis;
- (2) Packaging materials are written off on a one-off basis.

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

(XI) Inventories *(continued)*

5. Recognition criteria and provision for impairment of inventories

On the balance sheet date, inventories shall be measured at the lower of cost and net realizable value. When the cost of inventories is higher than their net realizable value, a provision for impairment of inventories shall be made. Net realizable value is the estimated selling price less the estimated costs to completion, the estimated selling expenses and relevant taxes in the ordinary course of business.

The net realizable value of inventories of goods that are directly used for sale, such as finished goods, goods on hand and materials for sale, is determined based on the estimated selling price of the inventories less the estimated selling expenses and related taxes in the normal production and operation process. The net realizable value of inventories of materials that need to be processed is determined based on the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated selling expenses and related taxes in the normal production and operation process. The net realizable value of inventories held for the execution of sales contracts or labour contracts is calculated based on the contract price. If the quantity of inventories held is more than the quantity ordered in sales contracts, the net realizable value of the inventories in excess is calculated based on the general selling price.

After the provision for impairment of inventories is made, if the factors that previously caused the write-down of the value of inventories no longer exist, resulting in the net realizable value of the inventories being higher than their carrying amount, the original provision for impairment of inventories is reversed, and the reversed amount is included in the current profit or loss.

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

(XII) Contract assets

1. Method and criteria for recognition of contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relation between the satisfaction of performance obligations and customer payments. The Company's right to receive consideration for goods transferred or services provided to customers (and such right is subject to factors other than the passage of time) is presented as contract assets. Contract assets and contract liabilities under the same contract are presented on a net basis. The Company's unconditional (only subject to the passage of time) right to receive consideration from customers is presented separately as receivables.

2. Determination and accounting of ECLs of contract assets

For the determination and accounting of ECLs of contract assets, please refer to "(X) 6. Testing and accounting of impairment of financial instruments" of this note.

(XIII) Held for sale and discontinued operations

1. Held for sale

A non-current asset or disposal group is classified as held for sale if its carrying amount is recovered principally through a sale (including an exchange of a non-monetary asset with commercial substance) rather than through continuing use.

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

(XIII) Held for sale and discontinued operations *(continued)*

1. Held for sale *(continued)*

The Company classifies non-current assets or disposal groups that meet all of the following conditions as held for sale:

- (1) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current status;
- (2) The sale is highly probable, i.e. the Company has made a resolution on a sale proposal and obtained a definite purchase commitment, and the sale is expected to be completed within one year. If the sale is subject to the approval of relevant governing bodies of the Company or regulatory authorities according to regulations, the approval has been obtained.

For non-current assets (excluding financial assets, deferred income tax assets and assets formed by employees' remuneration) or disposal groups classified as held for sale, if their carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount is written down to the net amount of fair value less costs to sell, and the amount written down is recognized as asset impairment loss and included in the current profit or loss while making provision for impairment of held-for-sale assets.

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

(XIII) Held for sale and discontinued operations *(continued)*

2. Discontinued operation

A discontinued operation is a component that satisfies one of the following conditions and can be distinguished separately, and that component has been disposed of by the Company or classified by the Company as held for sale:

- (1) The component represents an independent principal business or a separate major operation region;
- (2) The component forms part of a related proposal to dispose of an independent principal business or a separate major operation region;
- (3) The component is a subsidiary acquired specially for resale;

Profit or loss from continuing operations and profit or loss from discontinued operations are presented separately in the income statement. Operating profit or loss and disposal profit or loss such as impairment loss and reversal amount of discontinued operations are presented as profit or loss from discontinued operations. For discontinued operations presented in the current period, the Company restates the information originally presented as profit or loss from continuing operations in the current financial statements as profit or loss from discontinued operations in the comparable accounting period.

(XIV) Long-term equity investments

1. Judgment criteria for joint control and significant influence

Joint control is the contractually agreed sharing of control over an arrangement, the relevant activities of which must be decided with the unanimous consent of the parties sharing control. If the Company and other joint venture parties jointly control the investee and have rights to the net assets of the investee, the investee is a joint venture of the Company.

Significant influence refers to the right to participate in the decision-making of the financial and operating decisions of the investee, but unable to control or jointly control with other parties the formulation of these policies. Where the Company can exert significant influence on the investee, the investee is an associate of the Company.

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

(XIV) Long-term equity investments *(continued)*

2. Determination of initial investment cost

(1) Long-term equity investments arising from business combination

For a long-term equity investment in a subsidiary resulting from a business combination under common control, the initial investment cost of the long-term equity investment is the share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party at the combination date. For the difference between the initial investment cost of the long-term equity investment and the carrying amount of the consideration paid, an adjustment is made to the share premium in the capital reserve. If the share premium in the capital reserve is insufficient to offset the difference, the retained earnings shall be adjusted. If the control over the investee under common control is achieved due to additional investment and other reasons, the difference between the initial investment cost of the long-term equity investment recognized in accordance with the above principles and the sum of the carrying amount of the long-term equity investment before the combination and the carrying amount of the newly paid consideration for the further acquisition of shares on the combination date shall be adjusted to the share premium. If the share premium is insufficient to offset the difference, the retained earnings shall be offset.

For a long-term equity investment in a subsidiary resulting from a business combination not under common control, the combination cost determined on the acquisition date is used as the initial investment cost of the long-term equity investment. If the control over the investee not under common control is achieved due to additional investment and other reasons, the sum of the carrying amount of the equity investment originally held and the new investment cost shall be taken as the initial investment cost.

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

(XIV) Long-term equity investments *(continued)*

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

(2) Long-term equity investments acquired other than through business combination

For long-term equity investments acquired by cash payment, the actual purchase price paid shall be taken as the initial investment cost.

For long-term equity investments acquired by issuing equity securities, the fair value of the equity securities issued shall be taken as the initial investment cost.

3. Subsequent measurement and recognition of profit or loss

(1) Long-term equity investments accounted for using the cost method

The Company's long-term equity investments in subsidiaries are accounted for using the cost method, unless the investments are qualified as held for sale. Except for the actual price paid at the time of acquisition of the investment or the cash dividend or profit included in the consideration that has been declared but not yet distributed, the Company recognizes the current investment income according to the cash dividend or profit declared by the investee.

(2) Long-term equity investments accounted for using the equity method

Long-term equity investments in associates and joint ventures are accounted for using the equity method. Where the initial investment cost is higher than the share of fair value of the investee's identifiable net assets entitled at the time of investment, no adjustment is made to the initial investment cost of the long-term equity investment; Where the initial investment cost is lower than the share of fair value of the investee's identifiable net assets entitled at the time of investment, the difference is included in the current profit or loss, and the cost of the long-term equity investment is adjusted at the same time.

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

(XIV) Long-term equity investments *(continued)*

3. Subsequent measurement and recognition of profit or loss *(continued)*

(2) Long-term equity investments accounted for using the equity method *(continued)*

The Company recognizes investment gains and other comprehensive income respectively according to its entitlement to or share of the net profit or loss and other comprehensive income realized by the investee, and adjusts the carrying amount of the long-term equity investment at the same time. The carrying amount of the long-term equity investment is reduced by its share of profit or cash dividend declared by the investee to which it is entitled. For other changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution (hereinafter "other changes in owners' equity"), the carrying amount of the long-term equity investment is adjusted and included in owners' equity.

The Company recognizes its share of an investee's net profit or loss, other comprehensive income and other changes in owners' equity based on the fair value of the investee's identifiable net assets at the time of acquisition of investment, and recognizes the investee's net profit and other comprehensive income after making adjustments in accordance with the Company's accounting policies and accounting periods.

The proportionate share of unrealized profit or loss of internal transactions between the Company and its associates and joint ventures attributable to the Company shall be offset, and the investment gains shall be recognized on this basis, unless the assets invested or sold constitute a business. If the unrealized internal transaction loss with the investee belongs to asset impairment loss, it shall be fully recognized.

The net loss incurred by the Company to joint ventures or associates is limited to the extent that the carrying amount of the long-term equity investments and other long-term interests that in substance form part of the net investments in the joint ventures or associates are written down to zero, unless the Company has an obligation to assume additional losses. If the joint ventures or associates realize net profits in the future, the Company shall resume the recognition of its share of revenue after it has made up for the unrecognized share of losses.

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

(XIV) Long-term equity investments *(continued)*

3. Subsequent measurement and recognition of profit or loss *(continued)*

(3) Disposal of long-term equity investments

For the disposal of long-term equity investments, the difference between the carrying amount and the actual price obtained is included in the current profit or loss.

If the long-term equity investment accounted for by the equity method is partially disposed of, and the remaining equity is still accounted for using the equity method, the other comprehensive income recognized under the original equity method is carried forward in corresponding proportion on the same basis as the assets or liabilities are disposed of directly by the investee, and other changes in owners' equity are carried forward to the current profit or loss proportionately.

If the joint control or significant influence over the investee is lost due to the disposal of an equity investment and other reasons, the other comprehensive income of the original equity investment recognized under the equity method shall be accounted for on the same basis as the assets or liabilities are disposed of directly by the investee when the adoption of the equity method is terminated, and other changes in owners' equity shall be fully transferred to the current profit or loss when the adoption of the equity method is terminated.

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

(XIV) Long-term equity investments *(continued)*

3. Subsequent measurement and recognition of profit or loss *(continued)*

(3) Disposal of long-term equity investments *(continued)*

Where the control over the investee is lost due to the disposal of part of an equity investment and other reasons, when preparing individual financial statements, if the remaining equity interest can exert joint control or significant influence on the investee, it shall be accounted for using the equity method instead, and the remaining equity interest shall be adjusted as if it has been accounted for using the equity method since acquisition. The other comprehensive income recognized before obtaining control over the investee shall be carried forward proportionately on the same basis as the assets or liabilities are disposed of directly by the investee, and other changes in owners' equity recognized under the equity method shall be carried forward proportionately to the current profit or loss; if the remaining equity cannot exercise joint control or exert significant influence over the investee, it is recognized as a financial asset, and the difference between its fair value and carrying amount on the date of loss of control is included in the current profit or loss. All other comprehensive income and other changes in owners' equity recognized before obtaining control of the investee are carried forward.

If the disposal of the equity investment in a subsidiary through multiple transactions until the loss of control is a package transaction, each transaction is accounted for as a transaction to dispose of the equity investment in a subsidiary and lose control; the difference between each disposal price and the carrying amount of the long-term equity investment corresponding to the disposed equity before the loss of control is first recognized as other comprehensive income in individual financial statements, and then transferred to the current profit or loss altogether when the control is lost. If it does not belong to a package transaction, each transaction shall be accounted for separately.

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

(XV) Investment properties

Investment properties are properties held to earn rentals or for capital appreciation, or both, including land use rights that have been leased, land use rights that are held for transfer after appreciation, and buildings that have been leased (including buildings that are used for leasing after the completion of self-construction or development activities and buildings that are being constructed or developed for future leasing).

Subsequent expenditures relating to investment properties are included in the cost of investment properties when the inflow of associated economic benefits is probable and its cost can be measured reliably. Otherwise, they are included in profit or loss in the period in which they are incurred.

The Company adopts the cost model to measure its existing investment properties. For investment properties measured under the cost model, buildings for leasing adopt the same depreciation policy as the Company's fixed assets, and land use rights for leasing adopt the same amortization policy as intangible assets.

(XVI) Fixed assets

1. Recognition and initial measurement of fixed assets

Fixed assets refer to tangible assets held for the production of goods, provision of labour services, leasing or operation and management, and have a useful life of more than one accounting year. Fixed assets are recognized when all of the following conditions are met:

- (1) It is probable that the economic benefits related to the fixed asset will flow into the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

Fixed assets are initially measured at cost (taking into account the impact of the estimated costs of disposal).

Subsequent expenditures related to a fixed asset are included in the cost of the fixed asset when the inflow of the associated economic benefits is probable and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XVI) Fixed assets** *(continued)***2. Depreciation method**

Depreciation of fixed assets is provided for by type using the straight-line method, and the depreciation rate is determined according to the category of fixed assets, the estimated useful life and the estimated net residual value rate. For fixed assets that have been provided for impairment, the depreciation amount is determined based on the carrying amount after deducting the impairment provision and the remaining useful life in future periods. If the useful life of various components of a fixed asset is different or it provides economic benefits to the enterprise in different ways, different depreciation rates or depreciation methods are selected and depreciation is provided for separately.

The depreciation method, depreciation life, residual value rate and annual depreciation rate of various fixed assets are as follows:

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

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

(XVI) Fixed assets *(continued)*

3. Disposal of fixed assets

When a fixed asset is disposed of or is not expected to generate economic benefits through use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the proceeds from disposal after deducting its carrying amount and related taxes are recognized in the current profit or loss.

(XVII) Construction in progress

Construction in progress is measured at the actual costs incurred. Actual costs include construction costs, installation costs, borrowing costs eligible for capitalization, and other costs necessary to bring the construction in progress ready for its intended use. Construction in progress is transferred to fixed assets when it is ready for its intended use and depreciation is provided for from the following month.

(XVIII) Borrowing costs

1. Principle for recognition of capitalization of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of an asset eligible for capitalization are capitalized and included in the costs of the relevant asset. Other borrowing costs are recognized as expenses when incurred based on the actual amount incurred and included in the current profit or loss.

Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production takes a substantial period of time to become ready for its intended use or sale.

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

(XVIII) Borrowing costs *(continued)*

2. Capitalization period of borrowing costs

Capitalization period refers to the period from the time when capitalization of borrowing costs begins to the time when capitalization ceases, excluding the period when capitalization of borrowing costs is suspended.

Capitalization of borrowing costs begins when all of the following conditions are satisfied:

- (1) Assets expenditure has been incurred, which includes expenditure in the form of cash payment, transfer of non-cash assets or interest-bearing debts for the acquisition, construction or production of assets eligible for capitalization;
- (2) Borrowing costs have been incurred;
- (3) The acquisition, construction or production activities necessary for the asset to be ready for its intended use or sale have commenced.

Capitalization of borrowing costs ceases when the assets eligible for capitalization being acquired, constructed or produced becomes ready for its intended use or sale.

3. Period during which capitalization is suspended

Capitalization of borrowing costs is suspended when the acquisition, construction or production of an asset eligible for capitalization is interrupted abnormally for a continuous period of more than 3 months. If the interruption is a necessary procedure for the asset eligible for capitalization being acquired, constructed or produced to be ready for its intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during interruption are recognized in the current profit or loss. Borrowing costs will continue to be capitalized when the acquisition, construction or production of the asset is resumed.

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

(XVIII) Borrowing costs *(continued)*

4. Calculation of capitalization rate and capitalized amount of borrowing costs

For special loans borrowed for the acquisition, construction or production of assets eligible for capitalization, the capitalized amount of borrowing costs is determined by deducting the interest income earned from depositing the unused borrowings in the bank or the investment income from the temporary investment of those borrowings from the borrowing costs actually incurred for the special loans in the current period.

For general borrowings used for the acquisition, construction or production of assets eligible for capitalisation, the amount of borrowing costs to be capitalized for general borrowings is determined by multiplying the weighted average of the accumulated asset expenditures in excess of the asset expenditures of the special loans by the capitalisation rate of the general borrowings used. The capitalization rate is calculated and determined based on the weighted average effective interest rate of general borrowings.

During the capitalization period, exchange differences relating to the principal and interest of a special loan denominated in foreign currency are capitalized as part of the costs of the asset eligible for capitalization. Exchange differences arising from the principal and interest of foreign currency borrowings other than special loans denominated in foreign currency are recognized in the current profit or loss.

(XIX) Biological assets

1. The Company's biological assets are citrus and are classified as productive biological assets according to the purpose of holding and the way economic benefits are realized.
2. Biological assets are initially measured at cost.
3. The necessary expenses incurred before the productive biological assets achieve the intended production and operation purpose constitute the costs of the productive biological assets, and the subsequent expenses incurred after achieving the intended production purpose are included in the current profit or loss.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XIX) Biological assets** *(continued)*

4. The Company's depreciation method for productive biological assets that achieve the intended production and operation purpose is as follows:

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

The Company reviews the useful life, estimated net residual value and depreciation method at the end of each year. If the useful life and estimated net residual value are different from the original estimates or there are significant changes in the way economic benefits are realized, the Company will adjust the useful life or estimated net residual value or change the depreciation method as changes in accounting estimates.

5. The difference between the disposal income from the sale, loss, death or damage of biological assets after deducting its carrying amount and related taxes is included in the current profit or loss.

(XX) Intangible assets**1. Valuation of intangible assets**

- (1) Intangible assets are initially measured at cost upon acquisition by the Company;

The cost of purchased intangible assets includes the purchase price, related taxes and other expenses directly attributable to bringing the asset to its intended use.

- (2) *Subsequent measurement*

The useful life of intangible assets is analyzed and determined upon acquisition.

Intangible assets with finite useful lives are amortized over the period in which economic benefits are brought to the enterprise; if it is impossible to predict the period in which economic benefits are brought to the enterprise by intangible assets, they are regarded as intangible assets with indefinite useful lives and will not be amortized.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XX) Intangible assets** *(continued)***2. Estimation of useful lives of intangible assets with finite useful lives**

Item	Estimated useful life	Amortization method
Land use rights	20, 50	Straight-line method
Patent	10	Straight-line method
ERP software	5	Straight-line method
Non-patented technology	10	Straight-line method

3. Determination basis for intangible assets with indefinite useful lives and review procedures for their useful lives

As of 31st December, 2025, there were no intangible assets with indefinite useful lives in the Company.

4. Scope of collection of research and development expenses

The expenses incurred by the Company in the research and development process include employee remuneration, consumed materials, labour costs and other related expenses, and are collected as follows: employee remuneration related to personnel engaged in research and development activities mainly refers to employee remuneration related to personnel directly engaged in research and development activities and management and direct service personnel closely related to research and development activities; consumed materials mainly represent materials directly consumed in research and development projects; labour costs mainly represent expenses for hiring professionals or experts for research and development projects; other expenses mainly represent other miscellaneous expenses directly spent on research and development projects.

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

(XX) Intangible assets *(continued)*

5. Specific criteria for distinguishing research stage and development stage

The expenses of the Company's internal research and development projects are classified into expenses at the research stage and expenses at the development stage.

Research stage: The stage where original and planned investigation and research activities are carried out to acquire and understand new scientific or technical knowledge.

Development stage: The stage where research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices and products before commercial production or use.

6. Specific criteria for capitalization of expenses at development stage

Expenses at the research stage are included in profit or loss in the period in which they are incurred. Expenses at the development stage are recognized as an intangible asset when all of the following conditions are met, and the expenses at the development stage that do not meet the following conditions are included in the current profit or loss:

- (1) Consummating the intangible asset so that it can be used or sold is technically feasible;
- (2) There is an intention to consummate the intangible asset and use or sell it;
- (3) The way the intangible asset generates economic benefits, including the ability to demonstrate the existence of a market for the output of the intangible asset or for the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

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

(XX) Intangible assets *(continued)*

6. Specific criteria for capitalization of expenses at development stage *(continued)*

- (4) There are adequate technical, financial and other resources to complete the development of the intangible asset and the ability to use or sell the intangible asset;
- (5) The expenses at the development stage attributable to the intangible asset can be reliably measured.

If it is impossible to distinguish the expenses at the research stage and the expenses at the development stage, all the research and development expenses incurred shall be included in the current profit or loss.

(XXI) Impairment of long-term assets

Long-term assets such as long-term equity investments, fixed assets, construction in progress, right-of-use assets, intangible assets with finite useful lives and productive biological assets are tested for impairment if there is any indication of impairment at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is lower than its carrying amount, impairment provision shall be made based on the difference and included in impairment loss. The recoverable amount is the higher of an asset's fair value less disposal costs and the present value of the estimated future cash flows of the asset. Provision for asset impairment is calculated and recognized on the basis of individual assets. If it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest group of assets that can generate cash inflows independently.

For goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not ready for use, an impairment test shall be conducted at least at the end of each year, regardless of whether there is any indication of impairment.

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

(XXI) Impairment of long-term assets *(continued)*

The Company conducts impairment tests for goodwill. The carrying amount of goodwill arising from a business combination is reasonably allocated to the relevant asset group from the purchase date. If it is difficult to allocate to the relevant asset group, it is allocated to the relevant set of asset groups. The relevant asset group or set of asset groups is an asset group or set of asset groups that can benefit from the synergy of business combination.

When testing an asset group or a set of asset groups that contains goodwill for impairment, if there is any indication of impairment in the asset group or set of asset groups related to goodwill, the asset group or set of asset groups that does not contain goodwill is tested for impairment first, with the recoverable amount calculated and compared with the relevant carrying amount to recognize the corresponding impairment loss. After that, the asset group or set of asset groups that contains goodwill is tested for impairment, and its carrying amount is compared with the recoverable amount. If the recoverable amount is lower than the carrying amount, the amount of the impairment loss is first deducted from the carrying amount of goodwill allocated to the asset group or set of asset groups, and then deducted from the carrying amount of other assets on a pro rata basis based on the carrying amount of each other asset in the asset group or set of asset groups other than goodwill.

Once the above asset impairment loss is recognized, it will not be reversed in subsequent accounting periods.

(XXII) Long-term deferred expenses

Long-term deferred expenses are expenses that have been incurred but should be borne in the current and subsequent periods with an amortization period of more than one year.

(XXIII) Contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relation between the satisfaction of performance obligations and customer payments. The Company's obligation to transfer goods or provide services to customers for the consideration received or receivable from customers is presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis.

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

(XXIV) Employee remuneration

1. Accounting of short-term remuneration

During the accounting period in which the employees provide services to the Company, the Company recognizes the actual short-term remuneration as a liability and includes it in the current profit or loss or the cost of related assets.

The Company pays social insurance premiums and housing provident funds for its employees and contributes to labour union funds and employee education funds as required. The corresponding amount of employee remuneration is calculated and determined according to the prescribed basis and proportion of provision during the accounting period in which the employees provide services to the Company.

The employee benefit expenses incurred by the Company is included in the current profit or loss or the cost of relevant assets based on the actual amount when actually incurred, among which, non-monetary benefits is measured at fair value.

2. Accounting of post-employment benefits

Defined contribution plan

The Company pays basic pension insurance and unemployment insurance for its employees in accordance with the relevant provisions of the local governments. During the accounting period in which the employees provide services to the Company, the amount payable is calculated according to the local prescribed basis and proportion of payment, recognized as a liability and included in the current profit or loss or the cost of related assets. In addition, the Company participates in the enterprise annuity plan approved by relevant national authorities. The Company makes contributions to the annuity plan based on a certain proportion of the total salaries of employees, and the corresponding expenses are included in the current profit or loss or the cost of related assets.

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

(XXIV) Employee remuneration *(continued)*

3. Accounting of termination benefits

When the Company provides termination benefits to employees, the employee remuneration liabilities arising from termination benefits are recognized and included in the current profit or loss at the earlier of the following dates: when the Company cannot unilaterally withdraw the termination benefits provided due to the termination of the labour relationship plan or the layoff proposal; and when the Company recognizes the costs or expenses related to a reorganization involving the payment of termination benefits.

(XXV) Estimated liabilities

The Company recognizes an obligation related to a contingent event as an estimated liability when all of the following conditions are satisfied:

- (1) The obligation is a present obligation assumed by the Company;
- (2) It is probable that an outflow of economic benefits from the Company will be required to settle the obligation;
- (3) The amount of the obligation can be measured reliably.

Estimated liabilities are initially measured at the best estimate of the expenses required to settle the present obligations.

In determining the best estimate, factors such as risks, uncertainties and time value of money related to the contingent events are taken into account as a whole. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

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

(XXV) Estimated liabilities *(continued)*

If the expenses required are in a continuous range and the probability of occurrence of various results within the range is the same, the best estimate is determined as the midpoint of the range; in other cases, the best estimate is dealt with in the following circumstances:

- If the contingent event involves a single item, it is determined based on the most likely amount.
- If the contingent event involves multiple items, it is determined based on various possible outcomes and associated probabilities.

If all or part of the expenses required to settle the estimated liabilities are expected to be compensated by a third party, the compensation amount is recognized as an asset separately when it is basically certain that it will be received, and the compensation amount recognized shall not exceed the carrying amount of the estimated liabilities.

The Company reviews the carrying amount of estimated liabilities on the balance sheet date. If there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount shall be adjusted according to the current best estimate.

(XXVI) Share-based payments

The Company's share-based payment is a transaction in which equity instruments are granted or liabilities determined based on equity instruments are assumed for the purpose of obtaining services from employees or other parties. The Company's share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

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

(XXVI) Share-based payments *(continued)*

1. Equity-settled share-based payments and equity instruments

Where an equity-settled share-based payment is exchanged for services provided by employees, it is measured at the fair value of the equity instruments granted to employees. For share-based payment transactions that are vested immediately after the grant, the fair value of the equity instruments on the date of grant is included in the relevant costs or expenses, and the capital reserve is increased accordingly. For share-based payment transactions that are vested only when the services have been completed within the waiting period or the required performance conditions have been met after the grant, at each balance sheet date during the waiting period, the Company includes the services obtained in the current period in the relevant costs or expenses based on the fair value on the date of grant of the best estimate of the number of equity instruments to be vested and increases the capital reserve accordingly.

Where the terms of an equity-settled share-based payment are modified, the services obtained are recognized as if the terms have not been modified at a minimum. In addition, any modification that increases the fair value of the equity instruments granted or any change that is favorable to the employee at the date of modification is recognized as an increase to the services obtained.

During the waiting period, if the granted equity instruments are canceled, the Company will treat the cancelation of the granted equity instruments as an accelerated exercise, and immediately include the amount to be recognized in the remaining waiting period in the current profit or loss, and recognize the capital reserve at the same time. However, if a new equity instrument is granted and the new equity instrument granted is used to replace the canceled equity instrument as determined on the date of grant of the new equity instrument, the replacement equity instrument granted shall be treated in the same manner as the modification of the terms and conditions of the original equity instrument.

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

(XXVI) Share-based payments *(continued)*

2. Cash-settled share-based payments and equity instruments

Cash-settled share-based payments are measured at the fair value of the liabilities assumed by the Company calculated and determined based on shares or other equity instruments. For share-based payment transactions that are vested immediately after the grant, the Company includes the fair value of the assumed liabilities on the grant date in the relevant costs or expenses and increases the liabilities accordingly. For share-based payment transactions that are vested only when the services have been completed within the waiting period or the required performance conditions have been met after the grant, at each balance sheet date during the waiting period, the Company includes the services obtained in the current period in the relevant costs or expenses based on the fair value of the liabilities assumed by the Company and the best estimate of the vesting situation and increases the capital reserve accordingly. At each balance sheet date before the settlement of the relevant liabilities and the settlement date, the fair value of the liabilities is remeasured and the changes are included in the current profit or loss.

If the Company modifies the terms and conditions of the cash-settled share-based payment agreement to make it an equity-settled share-based payment, on the modification date (whether during the waiting period or after the end of the waiting period), the Company measures the equity-settled share-based payment at the fair value of the equity instrument granted on the date of grant, and the services obtained are included in the capital reserve. At the same time, the Company derecognizes the liability of the cash-settled share-based payment recognized on the modification date, with the difference between the two included in the current profit or loss. If the waiting period is extended or shortened due to the modification, the Company will conduct accounting treatment in accordance with the modified waiting period.

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

(XXVII) Other financial instruments such as preference shares and perpetual bonds

Such financial instruments or a part thereof are, on initial recognition, classified into financial assets, financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms of the Company's preference shares/perpetual bonds instead of only on the basis of the legal form.

For financial instruments such as perpetual bonds/preference shares issued by the Company, which meet one of the following conditions, such financial instrument as a whole or a component thereof is classified as a financial liability on initial recognition:

- (1) there are contractual obligations performed by the delivery of cash or other financial assets that the Company cannot unconditionally avoid;
- (2) there are contractual obligations that include the delivery of a variable number of own equity instruments for settlement;
- (3) there are derivatives that are settled with their own equity (such as conversion rights), and the derivatives are not settled with a fixed amount of their own equity instruments for a fixed amount of cash or other financial assets for settlement;
- (4) there are contractual clauses that indirectly form contractual obligations;
- (5) when the issuer liquidates, the perpetual bonds are in the same liquidation order as the ordinary bonds and other debts issued by the issuer.

For financial instruments such as perpetual bonds/preference shares that do not meet any of the above conditions, such financial instrument as a whole or a component thereof is classified as an equity instrument on initial recognition.

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

(XXVIII) Revenue

1. Accounting policies for revenue recognition and measurement

The Company recognizes revenue when it has satisfied its performance obligations in the contract, i.e. when the customer obtains control of the relevant goods or services. Control of the relevant goods or services refers to the ability to direct the use of the goods or services and obtain substantially all of the economic benefits therefrom.

If the contract contains two or more performance obligations, the Company allocates the transaction price to each individual performance obligation on the contract inception date based on the relative proportion of the individual selling price of the goods or services committed in each individual performance obligation. The Company measures revenue based on the transaction price allocated to each individual performance obligation.

Transaction price is the amount of consideration to which the Company expects to be entitled for transferring goods or services to customers, excluding the amounts collected on behalf of third parties and the amounts expected to be refunded to customers. The Company determines the transaction price based on the terms of the contract and its past practice, and considers the impact of factors such as variable consideration, significant financing components in the contract, non-cash consideration and consideration payable to customers when determining the transaction price. The Company determines the transaction price including variable consideration at an amount not exceeding the amount at which a significant reversal of the cumulative revenue recognized is highly unlikely when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the Company determines the transaction price based on the amount payable assuming that the customer pays in cash at the time of obtaining control of the goods or services, and amortizes the difference between the transaction price and the contract consideration using the effective interest rate method during the contract period.

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

(XXVIII) Revenue *(continued)*

1. Accounting policies for revenue recognition and measurement *(continued)*

If one of the following conditions is met, it is a performance obligation satisfied over a period of time, otherwise it is a performance obligation satisfied at a point in time:

- The customer simultaneously obtains and consumes the economic benefits brought by the Company's performance as the Company performs its obligation.
- Customers can control the goods under construction during the Company's performance.
- The goods produced during the Company's performance have irreplaceable uses, and the Company has the right to receive payment for the part of performance completed to date during the entire contract period.

For the performance obligations satisfied over a period of time, the Company recognizes revenue according to the performance progress during such period, except where the performance progress cannot be reasonably determined. The Company considers the nature of the goods or services and adopts the output or the input method to determine the performance progress. When the performance progress cannot be reasonably determined and the costs incurred are expected to be compensated, the Company recognizes revenue according to the amount of costs incurred until the performance progress can be reasonably determined.

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

(XXVIII) Revenue *(continued)*

1. Accounting policies for revenue recognition and measurement *(continued)*

For the performance obligations satisfied at a point in time, the Company recognizes revenue at the point in time when the customer obtains control of the relevant goods or services. When determining whether the customer has obtained control of the goods or services, the Company considers the following signs:

- The Company has a present right to receive payment for the goods or services, i.e. the customer has a present obligation to pay for the goods or services.
- The Company has transferred the legal title of the goods to the customer, i.e. the customer has the legal title of the goods.
- The Company has transferred the physical goods to the customer, i.e. the customer has physical possession of the goods.
- The Company has transferred the major risks and rewards of ownership of the goods to the customer, i.e. the customer has obtained the major risks and rewards of ownership of the goods.
- The customer has accepted the goods or services.

The Company determines whether it is a principal or an agent when engaging in a transaction based on whether it has control over the goods or services before transferring them to the customer. If the Company can control the goods or services before transferring them to the customer, the Company is the principal and recognizes the revenue based on the total consideration received or receivable; otherwise, the Company is the agent and recognizes the revenue based on the amount of commission or handling fee entitled to receive.

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

(XXVIII) Revenue *(continued)*

2. Disclosure of specific revenue recognition and measurement method by business type

(1) Revenue recognized at a point in time

The Company sells plastic raw materials, drip tapes and drip assemblies, PVC water-saving products for water supply, PE water-saving products, various accessories and various raw materials, which are performance obligations satisfied at a point in time. Revenue recognition shall meet the following conditions: the Company has delivered the products to the customer in accordance with the contract and the customer has accepted the goods, the payment has been recovered or the receipt certificate has been obtained and it is probable that the relevant economic benefits will flow in, and the major risks and rewards of ownership of the goods have been transferred.

(2) Revenue recognized by performance progress

The Company provides installation services. As the customer can control the goods or services under construction during the Company's performance, the Company treats it as a performance obligation satisfied over a period of time, and recognizes revenue according to the performance progress, except where the performance progress cannot be reasonably determined. The Company determines the performance progress of the services provided using the input approach. Where the performance progress cannot be reasonably determined but the costs incurred by the Company are expected to be compensated, the amount of the costs incurred is recognized as revenue until the performance progress can be reasonably determined.

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

(XXIX) Contract costs

Contract costs include contract performance costs and contract acquisition costs.

If the costs incurred by the Company for the performance of the contract are not within the scope of standards related to inventory, fixed assets or intangible assets, they are considered as contract performance costs and recognized as an asset when the following conditions are met:

- The costs relate directly to a current contract or an anticipated contract.
- The costs increase the Company's resources to satisfy its performance obligations in the future.
- The costs are expected to be recovered.

If the Company expects to recover the incremental costs of contract acquisition, they are considered as contract acquisition costs and recognized as an asset.

Assets related to contract costs are amortized on the same basis as the revenue recognition of goods or services related to the assets; however, if the amortization period of the contract acquisition costs does not exceed one year, the Company will include them in profit or loss in the period in which they occur.

If the carry amount of the assets related to contract costs is higher than the difference between the following two items, the Company shall make impairment provision for the excess and recognize it as asset impairment loss:

1. The remaining consideration expected to be obtained from the transfer of goods or services related to the assets;
2. The estimated cost to be incurred for the transfer of the relevant goods or services.

If the factors of impairment in the previous period change subsequently and result in the above difference being higher than the carrying amount of the assets, the Company shall reverse the impairment provision previously made and include it in the current profit or loss, but the carrying amount of the assets after the reversal shall not exceed the carrying amount of the assets on the reversal date should no impairment provision have been made.

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

(XXX) Government grants

1. Type

Government grants refer to the monetary assets or non-monetary assets obtained by the Company from the government for no consideration, which are classified into asset-related government grants and income-related government grants.

Asset-related government grants refer to government grants obtained by the Company for the acquisition, construction or otherwise formation of long-term assets. Income-related government grants refer to government grants other than those related to assets.

2. Timing of recognition

Government grants are recognized when the Company can meet the conditions attached thereto and can receive them.

3. Accounting treatment

Asset-related government grants shall offset the carrying amount of related assets or be recognized as deferred income. If recognized as deferred income, they shall be included in the current profit or loss over the useful life of the relevant assets in a reasonable and systematic manner (if they are related to the Company's daily activities, they shall be included in other income; if they are not related to the Company's daily activities, they shall be included in non-operating income);

Income-related government grants that compensate the Company for related costs or losses to be incurred in subsequent periods are recognized as deferred income and included in profit or loss in the period in which the related costs or losses are recognized (if they are related to the Company's daily activities, they shall be included in other income; if they are not related to the Company's daily activities, they shall be included in non-operating income) or offset the related costs or losses; if they are used to compensate the Company for related costs or losses already incurred, they are directly included in the current profit or loss (if they are related to the Company's daily activities, they shall be included in other income; if they are not related to the Company's daily activities, they shall be included in non-operating income) or offset the related costs or losses.

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

(XXX) Government grants *(continued)*

3. Accounting treatment *(continued)*

The interest subsidies obtained by the Company for policy-based preferential loans are treated separately under the following two circumstances:

- (1) If the Ministry of Finance allocates the interest subsidy fund to the lending bank, and the lending bank provides a loan to the Company at a policy-based preferential interest rate, the Company will take the actual borrowing amount received as the book value of the loan, and calculate the relevant borrowing costs according to the principal and the policy-based preferential interest rate of the borrowing.
- (2) If the Ministry of Finance directly allocates the interest subsidy funds to the Company, the Company will offset the corresponding interest subsidy against the relevant borrowing costs.

(XXXI) Deferred income tax assets and deferred income tax liabilities

Income tax includes current income tax and deferred income tax. Except for the income tax arising from business combinations and transactions or events directly included in owners' equity (including other comprehensive income), the Company includes the current income tax and deferred income tax in the current profit or loss.

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the difference between the tax base of assets and liabilities and their carrying amount (temporary difference).

Deferred income tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. For deductible losses and tax credits that can be carried forward to subsequent years, the corresponding deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which deductible losses and tax credits can be utilized.

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

(XXXI) Deferred income tax assets and deferred income tax liabilities *(continued)*

For taxable temporary differences, deferred income tax liabilities are recognized unless in exceptional circumstances.

Exceptional circumstances in which deferred income tax assets or deferred income tax liabilities are not recognized include:

- Initial recognition of goodwill;
- It is neither a business combination nor does it affect accounting profit and taxable income (or deductible losses) when it occurs, and the assets and liabilities initially recognized do not result in transactions or events that generate taxable temporary differences and deductible temporary differences of equal amounts.

Deferred income tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, except where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. For deductible temporary differences related to investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized when it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available in the future against which the temporary differences can be utilized.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rates in the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the tax law.

At the balance sheet date, the Company reviews the carrying amount of deferred income tax assets. If it is not probable to obtain sufficient taxable income in future periods to offset the benefits of deferred income tax assets, the carrying amount of deferred income tax assets shall be written down. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

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

(XXXI) Deferred income tax assets and deferred income tax liabilities *(continued)*

When the Company has the legal right to settle on a net basis and intends to settle on a net basis or to acquire assets and settle liabilities simultaneously, the current income tax assets and the current income tax liabilities shall be presented on a net basis after being offset.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented on a net basis after being offset when all of the following conditions are satisfied:

- The taxable entity has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
- The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and administration authority on the same taxable entity or related to different taxable entities, but in each future period in which significant deferred income tax assets and liabilities are reversed, the taxable entities involved intend to settle the current income tax assets and liabilities on a net basis or to acquire assets and settle liabilities simultaneously.

(XXXII) Leases

A lease is a contract in which the lessor conveys the right to use an asset to the lessee for a certain period of time in exchange for consideration. At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if a party to the contract conveys the right to control the use of one or more identified assets for a certain period of time in exchange for consideration.

Where a contract contains multiple individual leases, the Company separates the contract and accounts for each individual lease separately. Where a contract contains both lease and non-lease components, the lessee and the lessor shall separate the lease and non-lease components.

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

(XXXII) Leases *(continued)*

1. The Company as lessee

(1) Right-of-use assets

At the commencement date of the lease term, the Company recognizes right-of-use assets for leases other than short-term leases and leases of low-value assets. Right-of-use assets are initially measured at cost. The cost comprises:

- The amount of the lease liability initially measured;
- The lease payment made on or before the commencement date of the lease term, with the relevant amount of lease incentive already enjoyed deducted if there is one;
- Initial direct costs incurred by the Company;
- The costs expected to be incurred by the Company for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms, but excluding the costs incurred for the production of inventories.

The Company subsequently uses the straight-line method to depreciate the right-of-use assets. If it can be reasonably determined that ownership of the leased assets will be obtained at the end of the lease term, the Company depreciates the leased assets over their remaining useful life; otherwise, the leased assets are depreciated over the shorter of the lease term and the remaining useful life of the leased assets.

The Company determines whether right-of-use assets have been impaired in accordance with the principles described in “III. (XXI) Impairment of long-term assets” of this note and accounts for any impairment losses identified.

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

(XXXII) Leases *(continued)*

1. The Company as lessee *(continued)*

(2) Lease liabilities

At the commencement date of the lease term, the Company recognizes lease liabilities for leases other than short-term leases and leases of low-value assets. Lease liabilities are initially measured at the present value of the lease payments outstanding. The lease payments include:

- Fixed payments (including in-substance fixed payments), less any amount related to lease incentive if there is one;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid according to the guaranteed residual value provided by the Company;
- Exercise price of the purchase option, provided that the Company reasonably determines that the option will be exercised;
- Payments for exercising the option to terminate the lease, provided that the lease term reflects that the Company will exercise the option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company's incremental borrowing rate is used as the discount rate.

The Company calculates the interest expense of the lease liability for each period of the lease term at a fixed periodic interest rate and includes it in the current profit or loss or the cost of related assets.

Variable lease payments not included in the measurement of lease liabilities are included in the current profit or loss or the cost of related assets when they are actually incurred.

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

(XXXII) Leases *(continued)*

1. The Company as lessee *(continued)*

(2) Lease liabilities (continued)

After the commencement date of the lease term, if the following circumstances occur, the Company will remeasure the lease liability and adjust the corresponding right-of-use asset. If the carrying amount of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the difference will be included in the current profit or loss:

- When there is a change in the evaluation results of the purchase option, the lease renewal option or the termination option, or the actual exercise of the aforesaid options is inconsistent with the original evaluation results, the Company remeasures the lease liabilities at the present value calculated based on the changed lease payment amount and the revised discount rate;
- When there is a change in the in-substance fixed payment amount, a change in the expected payable amount of the guaranteed residual value, or a change in the index or rate used to determine the lease payment amount, the Company remeasures the lease liability based on the present value of the changed lease payment amount calculated with the original discount rate. However, if the change in lease payment results from a change in floating interest rates, a revised discount rate is used to calculate the present value.

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

(XXXII) Leases *(continued)*

1. The Company as lessee *(continued)*

(3) Short-term leases and leases of low-value assets

If the Company chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, the relevant lease payments are included in the current profit or loss or the cost of relevant assets on a straight-line basis during each period of the lease term. Short-term leases are leases with a lease term of not more than 12 months at the commencement date and do not contain a purchase option. Leases of low-value assets refer to leases where the value of a single leased asset is low as a new asset. If the Company subleases or expects to sublease the leased assets, the original lease is not a lease of low-value assets.

(4) Lease modification

If there is a modification to a lease which meets all of the following criteria, the Company accounts for the lease modification as a separate lease:

- The lease modification expands the scope of the lease by adding the right to use one or more leased assets;
- The increase in consideration is equivalent to the individual price of the expanded part of the lease after adjusting for the circumstances of the contract.

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Company reallocates the consideration of the modified contract, redetermines the lease term, and remeasures the lease liability at the present value calculated based on the modified lease payments and the revised discount rate.

If the lease modification results in a reduced scope of lease or a shortened lease term, the Company reduces the carrying amount of the right-of-use assets accordingly and recognizes the relevant gains or losses from the partial or complete termination of the lease in the current profit or loss. For other lease modification that results in the remeasurement of lease liabilities, the Company adjusts the carrying amount of the right-of-use assets accordingly.

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

(XXXII) Leases *(continued)*

2. The Company as lessor

On the lease commencement date, the Company classifies leases into finance leases and operating leases. A finance lease is a lease that in effect transfers substantially all the risks and rewards incidental to ownership of the leased asset, regardless of whether the ownership is ultimately transferred. Operating leases refer to leases other than finance leases. When the Company is a sublease lessor, the sublease is classified based on the right-of-use assets arising from the original lease.

(1) Accounting of operating leases

Lease receipts from operating leases are recognized as rental income on a straight-line basis over the lease term. The Company capitalizes the initial direct costs incurred in relation to operating leases and allocates them to the current profit or loss on the same basis as the recognition of rental income during the lease term. Variable lease payments that are not included in lease receipts are included in profit or loss in the period in which they are actually incurred. The Company accounts for a modification to an operating lease as a new lease from the effective date of the modification and considers any lease payments received in advance or receivable related to the lease before modification as receipts of the new lease.

(2) Accounting of finance leases

On the lease commencement date, the Company recognizes the finance lease receivables for the finance lease and derecognizes the finance lease assets. When the Company initially measures the finance lease receivables, the net investment in the lease is taken as the book value of the finance lease receivables. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease receipts that have not been received at the commencement date of the lease, discounted at the interest rate implicit in the lease.

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

(XXXII) Leases *(continued)*

2. The Company as lessor *(continued)*

(2) Accounting of finance leases (continued)

The Company calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. The derecognition and impairment of finance lease receivables are accounted for in accordance with “III. (X) Financial instruments” of this note.

Variable lease payments that are not included in the measurement of the net investment in the lease are included in profit or loss in the period in which they are actually incurred.

If there is a modification to a finance lease which meets all of the following criteria, the Company accounts for the modification as a separate lease:

- The modification expands the scope of the lease by adding the right to use one or more leased assets;
- The increase in consideration is equivalent to the individual price of the expanded part of the lease after adjusting for the circumstances of the contract.

If the finance lease modification is not accounted for as a separate lease, the Company will treat the modified lease as follows:

- If the modification takes effect on the lease commencement date and the lease is classified as an operating lease, the Company accounts for it as a new lease from the effective date of the lease modification, and the net investment in the lease before the effective date of the lease modification is used as the carrying amount of the leased assets;
- If the modification takes effect on the lease commencement date and the lease is classified as a finance lease, the Company accounts for it in accordance with the policy on the revision or renegotiation of contracts as set out in “III. (X) Financial instruments” of this note.

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

(XXXII) Leases *(continued)*

3. Sale and leaseback transactions

The Company assesses and determines whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the principles described in “III. (XXVIII) Revenue” of this note.

(1) As lessee

If the transfer of assets in the sale and leaseback transaction is a sale, the Company, as the lessee, measures the right-of-use assets arising from the sale and leaseback based on the part of the original carrying amount of the assets related to the right of use obtained by the leaseback, and only recognizes the relevant gains or losses for the rights transferred to the lessor.

After the commencement date of lease term, please refer to “III. (XXXII) Leases 1. The Company as lessee” of this note for the subsequent measurement of right-of-use assets and lease liabilities and changes in leases. When subsequently measuring the lease liabilities arising from a sale and leaseback transaction, the way that the Company determines the lease payment amount or revised lease payment amount would not result in the recognition of any gains or losses related to the right of use obtained from the leaseback.

If the transfer of assets in the sale and leaseback transaction is not a sale, the Company, as the lessee, continues to recognize the transferred assets and recognizes a financial liability equal to the transfer income. For details of the accounting treatment of financial liabilities, please refer to “III. (X) Financial instruments” of this note.

(2) As lessor

If the transfer of assets in the sale and leaseback transaction is a sale, the Company, as the lessor, accounts for the purchase of assets and accounts for the lease of assets in accordance with the policy set out in “2. The Company as lessor” above; if the transfer of assets in the sale and leaseback transaction is not a sale, the Company, as the lessor, does not recognize the transferred assets but recognizes a financial asset equal to the transfer income. For details of the accounting treatment of financial assets, please refer to “III. (X) Financial instruments” of this note.

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

(XXXIII) Debt restructuring

1. The Company as creditor

The Company derecognizes debts when the contractual right to receive cash flows from the debts terminates. If debt restructuring is carried out by settling debts with assets or converting debts into equity instruments, the Company recognizes the relevant assets when they meet the definition and recognition criteria.

If debt restructuring is carried out by settling debts with assets, the Company measures the non-financial assets transferred at cost at initial recognition. The cost of inventories includes the fair value of abandoned debts and other costs that can be directly attributable to the asset incurred to bring the asset to its current location and condition, such as taxes, transportation fees, loading and unloading fees and insurance premiums. The cost of investment in associates or joint ventures includes the fair value of abandoned debts and other costs directly attributable to the asset, such as taxes. The cost of investment property includes the fair value of abandoned debts and other costs directly attributable to the asset, such as taxes. The cost of fixed assets includes the fair value of abandoned debts and other costs that can be directly attributable to the asset before it is ready for its intended use, such as taxes, transportation fees, loading and unloading fees, installation fees and professional service fees. The cost of biological assets includes the fair value of abandoned debts and other costs that can be directly attributable to the asset, such as taxes, transportation fees and insurance premiums. The cost of intangible assets includes the fair value of abandoned debts and other costs directly attributable to bringing the asset to its intended use, such as taxes. If the debt restructuring by converting debts into equity instruments results in creditors converting their rights into equity investments in associates or joint ventures, the Company measures the initial investment cost at the fair value of the abandoned debts and other costs directly attributable to the assets, such as taxes. The difference between the fair value and carrying amount of the abandoned debts is included in the current profit or loss.

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

(XXXIII) Debt restructuring *(continued)*

1. The Company as creditor *(continued)*

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured debts in accordance with “III. (X) Financial instruments” of this note.

If debt restructuring is carried out by settling debts with multiple assets or by way of combination, the Company first recognizes and measures the transferred financial assets and restructured debts in accordance with “III. (X) Financial Instruments” of this note, then allocates the net amount of the fair value of the abandoned debts after deducting the amount recognized for the transferred financial assets and restructured debts in accordance with the proportion of the fair value of various assets other than the transferred financial assets, and on this basis, determines the cost of each asset separately in accordance with the above methods. The difference between the fair value and carrying amount of the abandoned debts shall be included in the current profit or loss.

2. The Company as debtor

The Company derecognizes a debt when the current obligation of the debt is discharged.

If debt restructuring is carried out by settling debts with assets, the Company derecognizes the relevant assets and the settled debts when the conditions for derecognition are met, and the difference between the carrying amount of the settled debts and the carrying amount of the transferred assets is included in the current profit or loss.

If debt restructuring is carried out by converting debts into equity instruments, the Company derecognizes the settled debts when the conditions for derecognition are met. When the Company initially recognizes equity instruments, it measures them at fair value. If the fair value of the equity instruments cannot be measured reliably, they are measured at the fair value of the settled debts. The difference between the carrying amount of the settled debts and the recognized amount of the equity instruments shall be included in the current profit or loss.

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

(XXXIII) Debt restructuring *(continued)*

2. The Company as debtor *(continued)*

If debt restructuring is carried out by modifying other terms, the Company recognizes and measures the restructured debts in accordance with “III. (X) Financial instruments” of this note.

If debt restructuring is carried out by settling debts with multiple assets or by way of combination, the Company recognizes and measures the equity instruments and restructured debts in accordance with the above methods, and the difference between the carrying amount of the settled debts and the sum of the carrying amount of the transferred assets and the recognized amounts of the equity instruments and restructured debts is included in the current profit or loss.

(XXXIV) Segment reporting

The Company determines operating segments based on internal organizational structure, management requirements and internal reporting system, and determines reporting segments based on operating segments and discloses segment information.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to generate revenues and incur expenses from its ordinary activities; (2) the management of the Company is able to assess the operating results of the component regularly to decide on resource allocation and evaluate its performance; (3) the Company is able to obtain accounting information about the financial position, operating results and cash flows of the component. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be merged into one operating segment.

III. PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(continued)***(XXXV) Determination of materiality criterion and basis of selection**

Item	Materiality Criterion
Significant changes in the carrying amount of contract assets	Top five in absolute amount of change
Significant changes in the carrying amount of contract liabilities	Top five in absolute amount of change

(XXXVI) Principal accounting estimates and judgments

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 changes occur and in future periods.

Uncertainties in significant estimated amounts are as follows:

1. Recognition of deferred income tax assets

As described in Note III. (XXXI) to these financial statements, the Company recognizes deferred income tax assets based on the deductible temporary difference between the carrying amount of assets and liabilities and their tax base (if the tax base of items not recognized as assets and liabilities can be determined in accordance with the tax law, the difference between the tax base and its carrying amount), and the applicable tax rates in the period when the assets are expected to be recovered or the liabilities are expected to be settled. Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

2. Impairment of financial instruments and contract assets

As described in Note III. (X) to these financial statements, the Company performs impairment treatment on financial assets measured at amortized cost (trade receivables and other receivables) and debt instrument investments measured at FVOCI (receivables financing) based on ECLs and recognizes loss provisions.

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

(XXXVI) Significant accounting judgments and estimates *(continued)*

3. Provision for impairment of inventories

As described in Note III. (XI) to these financial statements, on the balance sheet date, the Company measures inventories at the lower of cost and net realizable value, and makes provision for impairment of inventories based on the difference between the cost of a single inventory and its net realizable value. For inventories that are directly used for sale, net realizable value is determined as the estimated selling price of the inventories less the estimated selling expenses and related taxes in the normal production and operation process. For inventories that require processing, net realizable value is determined as the estimated selling price of the finished goods produced less the estimated costs to completion, the estimated selling expenses and related taxes in the normal production and operation process. At the balance sheet date, where part of an inventory item is subject to an agreed contractual price while the remainder is not, their net realizable values are determined separately and compared with their respective costs to determine the amount of provision or reversal for impairment of inventories.

4. Impairment of long-term assets

As described in Note III. (XXI) to these financial statements, for long-term assets such as long-term equity investments, fixed assets, construction in progress, productive biological assets measured using the cost model, right-of-use assets, and intangible assets with finite useful lives, if there is any indication at the balance sheet date that such assets are impaired, the recoverable amount is estimated. Goodwill arising from a business combination and intangible assets with indefinite useful lives are tested for impairment every year, regardless of whether there is any indication of impairment. Goodwill is tested for impairment together with the relevant asset group or set of asset groups. If the result of the recoverable amount measurement indicates that the recoverable amount of such long-term asset is lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is recognized as an asset impairment loss and included in the current profit or loss, and asset impairment allowance is provided for at the same time.

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

(XXXVII) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

Implementation of Requirements of Relevant Accounting for Standard Warehouse Receipts Transactions under the “Q&A for the Implementation of Financial Instrument Standards” (《金融工具準則實施問答》)

The Ministry of Finance issued the Accounting Treatment Implementation Q&A for Standard Warehouse Receipts Transactions on 8th July, 2025, which clearly states that pursuant to the recognition and measurement standards for financial instruments, where an enterprise earns price differences by frequently entering into contracts for the purchase and sale of standard warehouse receipts on a futures exchange without taking physical delivery of the commodities corresponding to such standard warehouse receipts, it generally indicates that the enterprise has a practice of reselling the subject matter of the contracts within a short period after receipt to obtain profits from short-term fluctuations. The enterprise shall treat the contracts for the purchase and sale of standard warehouse receipts entered into by it as financial instruments, and perform accounting treatment in accordance with the requirements of the recognition and measurement standards for financial instruments. If an enterprise resells standard warehouse receipts shortly after acquiring them in accordance with the aforementioned contracts, it shall not recognize sales revenue, and the difference between the consideration received and the carrying amount of the sold standard warehouse receipts shall be recognized as investment income; if an enterprise holds unsold standard warehouse receipts at the end of the period, these shall be presented as other current assets. For standard warehouse receipts obtained in accordance with the aforementioned contracts, if doing so eliminates or significantly reduces an accounting mismatch, an enterprise may, upon initial recognition, elect to measure them at fair value through profit or loss, and shall apply this election consistently to all standard warehouse receipts that meet the eligibility criteria. For standard warehouse receipts that have been designated at initial recognition to be measured at fair value through profit or loss, an enterprise shall not revoke such designation in subsequent periods.

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

(XXXVII) Changes in significant accounting policies and accounting estimates *(continued)*

1. Changes in significant accounting policies *(continued)*

*Implementation of Requirements of Relevant Accounting for Standard Warehouse Receipts Transactions under the “Q&A for the Implementation of Financial Instrument Standards” (《金融工具準則實施問答》) *(continued)**

In accordance with the requirements of the “Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Conscientiously Carrying Out the Work on the 2025 Annual Reports of Enterprises” (Cai Kuai [2025] No. 33), where an enterprise adjusts its accounting treatment methods due to the implementation of the aforementioned provisions related to standard warehouse receipts, it shall adjust the information for the comparative periods in the financial statements.

The implementation of this provision did not have a material impact on the Company's financial position and operation results.

2. Changes in significant accounting estimates

There was no change in the major accounting estimates of the Company during the reporting period.

IV. TAXATION

(I) Principal tax types and tax rates

Tax type	Tax basis	Tax rate (%)
Value-added tax	The output tax is calculated based on the income from the sale of goods and taxable services that calculated in accordance with the tax law. The value-added tax payable is the difference between the output tax and the input tax allowed to be deducted for the period	3, 5, 6, 9, 13
City maintenance and construction tax	Levied based on the actual value-added tax paid	1, 7
Enterprise income tax	Levied based on taxable income	15, 20, 25
Property tax	Ad-valorem tax levied at 1.2% of the remaining value after deducting 30% from the initial cost of the property; tax assessable on rent levied at 12% of the rental income	1.2, 12

Disclosure of taxable entities with different enterprise income tax rates

Name of taxable entity	Income tax rate (%)
The Company, Gansu Tianye, Akesu Tianye, Tiancheng Water Saving and Xiyu Water Conservancy	15
Tiantun Supply Chain, Liaoning Tianye, Xiyang Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Hongrui Huixin, Modern Agriculture, Henan Tianye, Zhongxinnong Water Saving and Beijing Tianye	20
Silu Tianyang and Tianfu Ecological	25

IV. TAXATION *(continued)*

(II) Tax concession

1. Value-added tax ("VAT")

- (1) Pursuant to the Notice on VAT Exemption Policies for Certain Enterprises' Production Materials (Cai Shui [2001] No. 113) issued by the Ministry of Finance and the State Administration of Taxation, income of the Company and its subsidiaries from sale of agricultural plastic films is exempted from VAT.

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

Pursuant to the Notice of Shihezi SAT Office on VAT Levied on Water Saving Drip Irrigation Products Produced and Sold by Xinjiang Tianye Water Saving Irrigation System Company Limited issued by the Shihezi SAT Office of the Xinjiang Uygur Autonomous Region on 9th September, 2005, the water saving drip irrigation products produced and sold by the Company and drip irrigation products processed and assembled with devices, such as screening procedures, main pipes, branch pipes, agricultural plastic films for drip irrigation and sprinkler heads, are subject to VAT at the tax rate of agricultural machinery. Starting from 1st April, 2019, agricultural machinery is subject to VAT at a rate of 9%.

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

Pursuant to the Notice on Registration and Filing for Tax Reduction and Exemption (Sha Guo Shui Jian Mian Bei Zi [2009] No. 059) issued by the Shawan County SAT Office, the mulching films sold by Tiancheng Water Saving are exempted from VAT.

IV. TAXATION *(continued)***(II) Tax concession** *(continued)***1. Value-added tax (“VAT”)** *(continued)***(2)** *(continued)*

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

2. Income tax

- (1) On 9th November, 2023, the Company obtained the high-tech enterprise certificate with the certificate number of GR202365000655 for a term of three years and was entitled to a preferential tax treatment of enterprise income tax at a reduced tax rate of 15% in 2025.
- (2) The Company's subsidiaries Gansu Tianye, Akesu Tianye, Tiancheng Water Saving and Xiyu Water Conservancy were subject to an enterprise income tax rate of 15% in 2025 as they complied with the requirements of the tax concession policies of the Western Development.

IV. TAXATION *(continued)*

(II) Tax concession *(continued)*

2. Income tax *(continued)*

- (3) According to the Announcement on Further Implementing the Preferential Income Tax Policies for Small and Micro-sized Enterprises of the Ministry of Finance and the State Taxation Administration (Announcement [2022] No. 13 of the Ministry of Finance and the State Taxation Administration), the Announcement on the Preferential Income Tax Policies for Small and Micro-sized Enterprises and Individual Industrial and Commercial Entities of the Ministry of Finance and the State Taxation Administration (Announcement [2023] No. 6 of the Ministry of Finance and the State Taxation Administration), and the Announcement on Policies Concerning Taxes and Fees to Further Support the Development of Small and Micro-sized Enterprises and Individual Industrial and Commercial Entities of the Ministry of Finance and the State Taxation Administration (Announcement [2023] No. 12 of the Ministry of Finance and the State Taxation Administration), from 1st January, 2023 to 31st December, 2027, for small and low-profit enterprises, their taxable income shall be calculated at a reduced rate of 25%, and enterprise income tax shall be levied at a rate of 20%.

The above preferential tax policies are applicable to subsidiaries, namely Tiantun Supply Chain, Liaoning Tianye, Xiyang Water Saving, Wisdom Agriculture, Nanjiang Water Saving, Hongrui Huixin, Modern Agricultural, Henan Tianye, Zhongxinnong Water Saving and Beijing Tianye.

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary funds

Item	Closing balance	Closing balance at the end of last year
Cash on hand		
Bank deposit	458,382,831.67	414,686,831.23
Other monetary funds	19,315,905.46	7,637,223.11
Total	477,698,737.13	422,324,054.34

Note: As of 31st December, 2025, monetary funds of RMB15,133,037.17 were judicially frozen, wage security deposit for migrant workers amounted to RMB2,793,279.69 and security deposit for letter of guarantee amounted to RMB1,389,588.60, resulting in total restricted fund of RMB19,315,905.46.

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

(II) Trade receivables

1. Age disclosure of trade receivables by record date

Age	Closing balance	Closing balance at the end of last year
Within 1 year (inclusive, same below)	126,965,605.88	199,529,361.17
1-2 years	72,512,883.10	24,641,457.56
2-3 years	12,632,224.17	17,544,870.06
3-4 years	9,421,860.21	16,194,110.72
4-5 years	13,495,105.00	12,186,916.15
Over 5 years	45,859,826.89	41,573,480.10
Subtotal	280,887,505.25	311,670,195.76
Less: bad-debt provision	60,539,736.09	59,130,964.72
Total	220,347,769.16	252,539,231.04

Note: The aging analysis of trade receivables is based on the month in which the amount actually incurred.
The amount that was incurred first was settled first in terms of capital turnover.

2. Disclosure of trade receivables by bad-debt provision method

Type	Closing balance				Book value	Closing balance at the end of last year				
	Book balance Amount	Percentage (%)	Bad-debt provision Amount	Percentage of provision (%)		Book balance Amount	Percentage (%)	Bad-debt provision Amount	Percentage of provision (%)	Book value
Bad-debt provision on an individual basis	19,163,243.97	6.82	19,163,243.97	100.00		20,826,018.81	6.68	20,826,018.81	100.00	
Bad-debt provision on a group basis	261,724,261.28	93.18	41,376,492.12	15.81	220,347,769.16	280,844,176.95	93.32	38,304,945.91	13.17	252,539,231.04
Total	280,887,505.25	100.00	60,539,736.09		220,347,769.16	311,670,195.76	100.00	59,130,964.72		252,539,231.04

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(II) Trade receivables** (continued)**2. Disclosure of trade receivables by bad-debt provision method** (continued)

Trade receivables for which bad-debt provision is made on an individual basis:

Name	Book balance	Bad-debt provision	Closing balance		Basis of provision	Closing balance at the end of last year	
			Percentage of provision (%)			Book balance	Bad-debt provision
Huludao Happy Food Limited* (葫蘆島市開心食品有限公司)	3,300,000.00	3,300,000.00	100.00	It is expected to be irrecoverable as the company has been revoked		3,300,000.00	3,300,000.00
Liaoning Dongrun Seed Co. Ltd. (Yixian, Jinzhou)* (遼寧東潤種業有限公司 (錦州義縣))	3,000,000.00	3,000,000.00	100.00	It is expected to be irrecoverable as it is in the process of enforcement due to insolvency of the counterparty		3,000,000.00	3,000,000.00
The 124th Corps of the Seventh Agricultural Division	2,761,283.08	2,761,283.08	100.00	It is beyond the national budget for the project after inspection and auditing, with no extrabudgetary funds being disbursed		2,761,283.08	2,761,283.08
Aksu Dayu Construction Engineering Co., Ltd.* (阿克蘇大禹工程建設有限公司)	2,664,471.25	2,664,471.25	100.00	It is irrecoverable as the company has been canceled		2,664,471.25	2,664,471.25
Chifeng Yunong Water Saving Equipment Co., Ltd.* (赤峰雨農節水器材有限公司)	2,001,046.35	2,001,046.35	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it		2,664,573.39	2,664,573.39
Guangxi Gaoliang Technology Agricultural Development Co., Ltd.* (廣西高良科技農業開發有限公司)	1,475,998.79	1,475,998.79	100.00	It is expected to be irrecoverable as the company has been revoked		1,475,998.79	1,475,998.79
Aksu Zhongwei Water Resources and Hydropower Co., Ltd.* (阿克蘇中威水利水電有限公司)	1,005,852.98	1,005,852.98	100.00	It is irrecoverable as the company has been canceled		1,673,580.78	1,673,580.78
Zhangye Tianrun Water Saving Equipment Co., Ltd.* (張掖市天潤節水器材有限責任公司)	894,500.00	894,500.00	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it		894,500.00	894,500.00

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Trade receivables** *(continued)***2. Disclosure of trade receivables by bad-debt provision method** *(continued)*

Name	Book balance	Bad-debt provision	Closing balance Percentage of provision (%)	Basis of provision	Closing balance at the end of last year	
					Book balance	Bad-debt provision
Aksu Jiangli Water Resources and Construction Engineering Co., Ltd.* (阿克蘇江水利建築工程有限公司)	700,325.54	700,325.54	100.00	It is irrecoverable as the company has been canceled	700,325.54	700,325.54
Xinjiang Asina Agricultural Technology Limited* (新疆阿斯納農科公司)	531,786.65	531,786.65	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it	531,786.65	531,786.65
Heilongjiang Province Fuyu Pasture* (黑龍江省富裕牧場)	500,000.00	500,000.00	100.00	It is expected to be irrecoverable due to disagreement on the quality upon acceptance	831,520.00	831,520.00
The 128th Corps of the Seventh Agricultural Division	147,681.25	147,681.25	100.00	It is expected to be irrecoverable because the counterparty cannot be reached	147,681.25	147,681.25
Zen Mingmin (曾明敏)	128,447.59	128,447.59	100.00	It is expected to be irrecoverable because the counterparty cannot be reached	128,447.59	128,447.59
Aksu Yushui Water Resources Engineering Co., Ltd.* (阿克蘇豫水水利工程有限公司)	51,850.49	51,850.49	100.00	It is irrecoverable as the company has been canceled	51,850.49	51,850.49
Total	19,163,243.97	19,163,243.97			20,826,018.81	20,826,018.81

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Trade receivables** *(continued)***2. Disclosure of trade receivables by bad-debt provision method** *(continued)*

Bad-debt provision based on credit risk characteristics portfolio:

Items provided for on a group basis:

Name	Closing balance		Percentage of provision (%)
	Trade receivables	Bad-debt provision	
Group of receivables from government authorities	113,082,753.15	14,321,446.50	12.66
Group of receivables from non-government authorities	82,814,403.13	27,055,045.62	32.67
Group of related parties	65,827,105.00		
Total	261,724,261.28	41,376,492.12	

① In the group of receivables from government authorities, trade receivables for which bad-debt provision is made using the reconciliation table of ages and loss rates

Age	Closing balance		Percentage of provision (%)
	Book balance	Bad-debt provision	
Within 1 year (inclusive, same below)	23,626,560.02	236,265.61	1.00
1-2 years	59,675,241.80	2,983,762.08	5.00
2-3 years	7,699,116.79	769,911.68	10.00
3-4 years	6,952,989.11	1,738,247.28	25.00
4-5 years	7,727,232.37	1,931,808.10	25.00
Over 5 years	7,401,613.06	6,661,451.75	90.00
Total	113,082,753.15	14,321,446.50	12.66

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(II) Trade receivables** (continued)**2. Disclosure of trade receivables by bad-debt provision method** (continued)

- ② In the group of receivables from non-government authorities, trade receivables for which bad-debt provision is made using the reconciliation table of ages and loss rates

Age	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	38,438,175.32	1,153,145.28	3.00
1–2 years	12,321,992.40	1,848,298.87	15.00
2–3 years	4,933,107.38	986,621.48	20.00
3–4 years	2,340,423.51	1,170,211.76	50.00
4–5 years	5,767,872.63	2,883,936.34	50.00
Over 5 years	19,012,831.89	19,012,831.89	100.00
Total	82,814,403.13	27,055,045.62	32.67

3. Provision, reversal or recovery of bad-debt provision in the current period

Type	Closing balance at the end of last year	Change in the current period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Other changes	
Bad-debt provision on an individual basis	20,826,018.81		1,662,774.84			19,163,243.97
Bad-debt provision on a group basis	38,304,945.91	5,870,778.65		2,799,232.44		41,376,492.12
Total	59,130,964.72	5,870,778.65	1,662,774.84	2,799,232.44		60,539,736.09

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Trade receivables** *(continued)***3. Provision, reversal or recovery of bad-debt provision in the current period**
(continued)

Bad-debt provision recovered or reversed in the current period:

Name of entity	Amount recovered or reversed	Reason for reversal	Receiving method	Basis for determining original bad-debt provision and its rationality
Aksu Zhongwei Water Resources and Hydropower Co., Ltd.* (阿克蘇中威水利水電有 限公司)	667,727.80	Amount recovered for the current period	Recovered due to bank deposits	It is irrecoverable as the company has been canceled
Chifeng Yunong Water Saving Equipment Co., Ltd.* (赤峰雨農節水器材 有限公司)	663,527.04	Amount recovered for the current period	Recovered due to bank deposits	It is expected to be irrecoverable and we have filed a lawsuit against it
Heilongjiang Province Fuyu Pasture* (黑龍江省富裕 牧場)	331,520.00	Amount recovered for the current period	Recovered due to bank deposits	It is expected to be irrecoverable due to disagreement on the quality upon acceptance
Total	1,662,774.84			

4. Trade receivables actually written-off in the current period

Item	Written-off amount
Trade receivables actually written-off	2,799,232.44

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Trade receivables** *(continued)***4. Trade receivables actually written-off in the current period** *(continued)*

In particular, the status of important trade receivables was:

Entity name	Nature of trade receivables	Amount written-off	Reason for writing-off	Writing-off procedures performed	Whether the amount was generated from connected transactions
Hebei Zhengtai Construction Engineering Co., Ltd. Beijing Branch* (河北政泰建築工程有限公司北京分公司)	Engineering amount	2,463,408.50	The company has lost its credibility and the amount cannot be recovered	Approval by the Board	No
Shihezi Beihua Commerce and Trade Co., Ltd.* (石河子市北華商貿有限責任公司)	Loans	257,434.76	The company has been canceled	Approval by the Board	No
Xinjiang Tianye Agricultural High-tech Co., Ltd.* (新疆天業農業高新技術有限公司)	Loans	63,355.56	The company has been canceled	Approval by the Board	No
Manas County Tashi River Basin Management Office* (瑪納斯縣塔西河流域管理處)	Engineering amount	15,033.62	Irrecoverable	Approval by the Board	No
Total		2,799,232.44			

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(II) Trade receivables** *(continued)***5. Top five closing balances of trade receivables and contract assets by debtor**

Name of entity	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Percentage of total closing balance of trade receivables and contract assets (%)	Closing balance of bad-debt provision for trade receivables and impairment provision for contract assets
Xinjiang Tianyu Agricultural Science Modern Agriculture Industrialization Development Co., Ltd.* (新疆天域農科 現代農業產業化發展 有限公司)	37,158,872.10	713,116.66	37,871,988.76	9.57	
Tianze Water Investment Zhangye Ganzhou Modern Agriculture Development Investment Co., Ltd.* (張掖市甘州區現代農 業開發投資有限責任 公司)	3,367,440.98	27,496,752.58	30,864,193.56	7.80	
China Shanxi International Economic and Technology Cooperation Co., Ltd.* (中國山西國際 經濟技術合作有限 公司)	18,792,319.09	6,018,026.95	24,810,346.04	6.27	1,656,517.35
Changtu County Agriculture and Rural Affairs Bureau* (昌圖縣農業農村局)	2,724,849.60	12,362,679.52	15,087,529.12	3.81	601,427.48
	10,800,211.43	3,894,239.38	14,694,450.81	3.71	792,394.05
Total	72,843,693.20	50,484,815.09	123,328,508.29	31.16	3,050,338.88

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(III) Receivables financing****1. Breakdown of receivables financing**

Item	Closing balance	Closing balance at the end of last year
Bank acceptance bills	2,721,813.94	3,273,014.02
Total	2,721,813.94	3,273,014.02

2. Receivables financing of the Company endorsed or discounted at the end of the period and not yet due as at the balance sheet date

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	14,356,089.74	
Total	14,356,089.74	

Note: Bank acceptance bills' acceptor is a commercial bank, which has a higher level of credit, and the possibility of bank acceptance bills not to be paid upon maturity is low, the Company thus derecognized endorsed or discounted bank acceptance bills. However, if such bills could not be paid upon maturity, in accordance with the Law of Negotiable Instruments, the Company shall still bear joint liability for the bill holders.

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(IV) Prepayments****1. Prepayments presented by age**

Age	Closing balance		Closing balance at the end of last year	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive, same below)	61,819,752.78	89.12	67,524,673.88	93.76
1–2 years	5,836,318.44	8.41	1,634,403.12	2.27
2–3 years	50,000.00	0.07	1,987,747.51	2.76
Over 3 years	1,658,507.77	2.40	873,316.34	1.21
Total	69,364,578.99	100.00	72,020,140.85	100.00

2. Top five closing balances of prepayments by receiving entity

Receiving entity	Closing balance	Percentage of total closing balance of prepayments (%)
Marketing management center of Xinjiang Tianye Company Limited	53,531,128.10	77.17
Northwest Chemicals Marketing Company of PetroChina Company Limited* (中國石油天然氣股份有限公司西北化工銷售分公司)	5,831,320.73	8.41
Henan Boliao Construction Engineering Co., Ltd.* (河南博遼建築工程有限公司)	3,750,000.00	5.41
Yucheng Construction Group Co., Ltd.* (羽城建設集團有限公司)	1,312,584.00	1.89
Gansu Darun Technology Development Co., Ltd.* (甘肅大潤科技開發有限公司)	720,000.00	1.04
Total	65,145,032.83	93.92

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(V) Other receivables**

Item	Closing balance	Closing balance at the end of last year
Interest receivable		
Dividends receivable		
Other receivables	22,752,891.17	21,796,549.11
Total	22,752,891.17	21,796,549.11

Other receivables*(1) Disclosure by age*

Age	Closing balance	Closing balance at the end of last year
Within 1 year (inclusive, same below)	9,250,202.84	6,914,377.37
1–2 years	4,470,286.24	6,140,211.73
2–3 years	4,958,485.22	7,892,220.92
3–4 years	6,596,425.31	641,183.65
4–5 years	553,785.67	3,243,146.69
Over 5 years	5,710,502.52	3,143,553.42
Subtotal	31,539,687.80	27,974,693.78
Less: bad-debt provision	8,786,796.63	6,178,144.67
Total	22,752,891.17	21,796,549.11

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(V) Other receivables** *(continued)***Other receivables** *(continued)**(2) Disclosure by bad-debt provision method*

Type	Closing balance					Closing balance at the end of last year				
	Book balance	Bad-debt provision		Carrying amount		Book balance	Bad-debt provision		Carrying amount	
	Amount	Percentage (%)	Percentage of provision (%)			Amount	Percentage (%)	Percentage of provision (%)		
Bad-debt provision made on an individual basis	810,000.00	2.57	810,000.00	100.00		810,000.00	2.90	810,000.00	100.00	
Bad-debt provision made on a group basis										
Bad-debt provision	30,729,687.80	97.43	7,976,796.63	25.96	22,752,891.17	27,164,693.78	97.10	5,368,144.67	19.76	21,796,549.11
Total	31,539,687.80	100.00	8,786,796.63			27,974,693.78	100.00	6,178,144.67		

Other receivables for which bad-debt provisions are made on an individual basis:

Name	Closing balance				Closing balance at the end of last year	
	Book Balance	Bad-debt provision	Percentage of provision (%)	Basis of provision	Book Balance	Bad-debt provision
Huaian Weiwang Agricultural and Pastoral Development Co., Ltd.* (懷安縣偉旺農牧開發有限公司)	810,000.00	810,000.00	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it	810,000.00	810,000.00
Total	810,000.00	810,000.00			810,000.00	810,000.00

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(V) Other receivables** *(continued)***Other receivables** *(continued)**(2) Disclosure by bad-debt provision method (continued)*

Bad-debt provision based on credit risk characteristics portfolio:

Items provided for on a group basis:

Name	Other receivables	Closing balance Bad-debt provision	Percentage of provision (%)
Group of receivables from government authorities	26,420,016.55	6,934,517.38	26.25
Group of receivables from non-government authorities	4,285,171.25	1,042,279.25	24.32
Group of related parties	24,500.00		
Total	30,729,687.80	7,976,796.63	

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

Aging	Book balance	Closing balance Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	6,623,410.57	66,234.13	1.00
1 to 2 years	3,498,580.60	174,929.04	5.00
2 to 3 years	4,540,307.33	454,030.74	10.00
3 to 4 years	6,226,864.46	1,556,716.12	25.00
4 to 5 years	454,093.68	113,523.42	25.00
Over 5 years	5,076,759.91	4,569,083.93	90.00
Total	26,420,016.55	6,934,517.38	26.25

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(V) Other receivables** *(continued)***Other receivables** *(continued)**(2) Disclosure by bad-debt provision method (continued)*

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	2,617,292.27	78,518.78	3.00
1 to 2 years	161,705.64	24,255.85	15.00
2 to 3 years	418,177.89	83,635.58	20.00
3 to 4 years	364,560.85	182,280.43	50.00
4 to 5 years	99,691.99	49,846.00	50.00
Over 5 years	623,742.61	623,742.61	100.00
Total	4,285,171.25	1,042,279.25	24.32

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(V) Other receivables** *(continued)***Other receivables** *(continued)**(3) Bad-debt provision*

	Phase 1	Phase 2	Phase 3	
		Lifetime		
		ECLs	Lifetime	
		(without	ECLs (with	
	12-month	credit	credit	
Bad-debt provision	ECLs	impairment)	impairment)	Total
Closing balance at the end of last year	5,368,144.67		810,000.00	6,178,144.67
Closing balance at the end of last year in the current period				
— Transferred to Phase 2				
— Transferred to Phase 3				
— Transferred back to Phase 2				
— Transferred back to Phase 1				
Provision in the current period	2,608,651.96			2,608,651.96
Reversal in the current period				
Transfer in the current period				
Write-off in the current period				
Other changes				
Closing balance	7,976,796.63		810,000.00	8,786,796.63

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(V) Other receivables** (continued)**Other receivables** (continued)(3) *Bad-debt provision (continued)*

Changes in the book balance of other receivables are as follows:

	Phase 1 12-month ECLs	Phase 2 Lifetime ECLs (without credit impairment)	Phase 3 Lifetime ECLs (with credit impairment)	Total
Book balance				
Closing balance at the end of last year	27,164,693.78		810,000.00	27,974,693.78
Closing balance at the end of last year in the current period				
—Transferred to Phase 2				
—Transferred to Phase 3				
—Transferred back to Phase 2				
—Transferred back to Phase 1				
Added in the current period	36,089,346.70			36,089,346.70
Derecognized in the current period	-32,524,352.68			-32,524,352.68
Other changes				
Closing balance	30,729,687.80		810,000.00	31,539,687.80

(4) *Provision, reversal or recovery of bad-debts provision in the current period*

Type	Closing balance at the end of last year	Change in the current period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Other changes	
Bad-debt provision on an individual basis	810,000.00					810,000.00
Bad-debt provision on a group basis	5,368,144.67	2,608,651.96				7,976,796.63
Total	6,178,144.67	2,608,651.96				8,786,796.63

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(V) Other receivables** *(continued)***Other receivables** *(continued)**(5) Classification by nature of other receivables*

Nature	Closing book balance	Closing book balance of the previous year
Security deposits	26,779,891.32	24,128,893.32
Provisional accounts receivable	2,259,427.52	1,488,904.75
Employee borrowings	588,276.18	326,129.58
Related party current account	24,500.00	15,000.00
Project construction materials payment advanced	1,887,592.78	2,015,766.13
Total	31,539,687.80	27,974,693.78

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(V) Other receivables** (continued)**Other receivables** (continued)

(6) Top five closing balances of other receivables by debtor

Name of entity	Nature	Closing balance	Age	Percentage of total closing balance of other receivables (%)	Closing balance of bad-debt provision
Baicheng County Agriculture and Rural Affairs Bureau (Rural Revitalization Bureau, Animal Husbandry and Veterinary Bureau) (拜城縣農業農村局(鄉村振興局、畜牧獸醫局))	Security deposits	9,741,364.46	2-3 years: RMB3,877,500.00; 3-4 years: RMB5,863,864.46	30.89	1,853,716.12
Labour Security Supervision Authority of Nanbu County (南部縣勞動保障監察大隊)	Security deposits	2,104,170.00	Over 5 years: RMB2,104,170.00	6.67	1,893,753.00
Group 134 Argiculture, Forestry and Grassland Center of Xinjiang Production and Construction Corps Eighth Division (新疆生產建設兵團第八師一三四團農業和林業草原中心)	Security deposits	1,749,222.75	Within 1 year: RMB1,749,222.75	5.55	17,492.23
Shihezi City Water Conservancy Engineering Management Service Center of the Eighth Division (第八師石河子市水利工程管理服務中心)	Security deposits	1,435,783.39	Within 1 year: RMB1,166,287.71; 1-2 years: RMB46,500.00; 2-3 years: RMB222,995.68	4.55	36,287.45
Yintao Project Construction and Management Bureau of Huining County* (會寧縣引洮工程建設管理局)	Security deposits	1,086,785.44	Over 5 years: RMB1,086,785.44	3.45	978,106.90
Total		16,117,326.04		51.11	4,779,355.70

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(VI) Inventories****1. Classification of inventories**

Type	Closing balance Provision for impairment of inventories/provision for impairment of contract performance			Closing balance at the end of last year Provision for impairment of inventories/provision for impairment of contract performance		
	Book balance	costs	Carrying amount	Book balance	costs	Carrying amount
Raw materials	79,372,248.12	20,388,379.01	58,983,869.11	77,224,758.12	16,477,595.09	60,747,163.03
Reusable materials	48,055.78	48,055.78		48,055.78	48,055.78	
Consigned processing materials	5,664,914.91	2,156,724.02	3,508,190.89	4,932,198.61	1,752,253.68	3,179,944.93
Self-made semi-finished products and work in progress	5,318,827.96		5,318,827.96	4,231,960.76		4,231,960.76
Goods on hand	126,818,066.15	21,673,323.51	105,144,742.64	117,840,262.35	17,440,121.66	100,400,140.69
Total	217,222,112.92	44,266,482.32	172,955,630.60	204,277,235.62	35,718,026.21	168,559,209.41

2. Provision for impairment of inventories and contract performance costs*(1) Breakdown*

Type	Closing balance at the end of last year		Increase during the period		Decrease during the period		Closing balance
			Provision	Others	Reversal or transfer	Others	
Raw materials	16,477,595.09	4,197,427.54			286,643.62		20,388,379.01
Reusable materials	48,055.78						48,055.78
Consigned processing materials	1,752,253.68	404,470.34					2,156,724.02
Goods on hand	17,440,121.66	6,917,634.20			2,684,432.35		21,673,323.51
Total	35,718,026.21	11,519,532.08			2,971,075.97		44,266,482.32

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(VI) Inventories** *(continued)***2. Provision for impairment of inventories and contract performance costs***(continued)*

(2) *Specific basis for net realizable value and reasons for reversal or transfer of provision for impairment of inventories and contract performance costs in the period:*

Item	Specific basis for determination of net realizable value	Reason for transfer of provision for impairment of inventories
Raw materials	Net realizable value is determined as the estimated selling price of the relevant finished goods less the estimated costs to completion, the estimated selling expenses and related taxes	Inventories provided for impairment were consumed or sold during the period
Goods on hand	Net realizable value is determined as the estimated selling price of the goods on hand less the estimated selling expenses and related taxes	Inventories provided for impairment were sold during the period

Note: Inventories are measured at the lower of cost and net realizable value during the period. When their net realizable value is lower than the cost, provision for impairment of inventories is made.

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(VII) Contract assets****1. Information of contract assets**

Item	Closing balance for the period			Closing balance at the end of last year		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Projects completed but not settled	115,040,381.28	4,015,758.00	111,024,623.28	70,024,642.24	1,500,346.09	68,524,296.15
Total	115,040,381.28	4,015,758.00	111,024,623.28	70,024,642.24	1,500,346.09	68,524,296.15

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(VII) Contract assets** *(continued)***2. Amounts and reasons for material changes of carrying amounts during the reporting period**

Item	Change in amount	Reason for change
2025 XPCC Eighth Division Rural Water Supply High-Quality Development Project — Eighth Division Rural Water Supply Automation Upgrade and Water Affairs Information Management System	11,845,965.80	Increase in amount due to change in measurement of performance progress in the current period
2025 XPCC Eighth Division Rural Water Supply High-Quality Development Project — Eighth Division Anjihai and Xiayedí Irrigation Area Drinking Water Improvement and Renovation Project Phase II (Rural Section)	6,061,830.28	Increase in amount due to change in measurement of performance progress in the current period
2025 XPCC Eighth Division Rural Water Supply High-Quality Development Project — Eighth Division Anjihai and Xiayedí Irrigation Area Drinking Water Improvement and Renovation Project Phase II (Rural Section)	4,989,861.83	Increase in amount due to change in measurement of performance progress in the current period
Construction on the land for Xinjiang Tianye Ecological Technology Co., Ltd.'s new autoclaved brick production line project with an annual output of 60 million bricks	-4,525,567.52	Contract assets at the beginning of the year transferred into receivables in the current period
Water conveyance project for the Dalabute No. 1 mine in the Baiyanghe mining area of Tacheng in 2025	3,765,928.35	Increase in amount due to change in measurement of performance progress in the current period
Total	22,138,018.74	

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(VII) Contract assets** *(continued)***3. Disclosure of classification of contract assets by impairment provision method**

Category	Closing balance					Closing balance at the end of last year				
	Book balance		Impairment provision		Carrying amount	Book balance		Impairment provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		Amount	Percentage (%)	Amount	Percentage (%)	
Impairment provision made on a group basis	115,040,381.28	100.00	4,015,758.00	3.49	111,024,623.28	70,024,642.24	100.00	1,500,346.09	2.14	68,524,296.15
Total	115,040,381.28	100.00	4,015,758.00		111,024,623.28	70,024,642.24	100.00	1,500,346.09		68,524,296.15

Impairment provision by credit risk characteristics group:

Items provided on a group basis:

Name	Closing balance		
	Contract assets	Impairment provision	Percentage of provision (%)
Group of amount from government authorities	75,574,442.33	2,882,538.73	3.81
Group of amount from non-government authorities	9,383,088.95	1,133,219.27	12.08
Group of amount from related parties	30,082,850.00		
Total	115,040,381.28	4,015,758.00	

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(VII) Contract assets** *(continued)***4. Information of impairment provision for contract assets for the current period**

Item	Change in the current period					Closing balance
	Closing balance at the end of last year	Provision for the current period	Reversal for the current period	Write-off/write-back for the current period	Other changes	
Impairment provision made on a group basis	1,500,346.09	2,515,411.91				4,015,758.00
Total	1,500,346.09	2,515,411.91				4,015,758.00

(VIII) Other current assets

Item	Closing balance	Closing balance at the end of last year
Pending deduct VAT on purchase	16,179,064.43	11,973,160.82
Enterprises income tax prepaid	184,536.90	328,459.87
Other prepaid tax	60,944.20	111,256.95
Total	16,424,545.53	12,412,877.64

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(IX) Long-term equity investments**

Investee	Closing balance at the end of last year (carrying amount)	Balance of impairment provision at the end of last year	Increase or decrease during the period							Closing balance (carrying amount)	Closing balance of impairment provision
			Increase	Decrease	Investment profit and loss recognized with the equity method	Adjustment of other consolidated income	Change of other equity	Declared distribution of cash dividend or profit	Impairment provision	Others	
Associates											
Jianshui Runnong Water Supply Co., Ltd.	134,266.57				-134,266.57						
Subtotal	134,266.57				-134,266.57						
Total	134,266.57				-134,266.57						

(X) Fixed assets**1. Fixed assets and disposal of fixed assets**

Item	Closing balance	Closing balance at the end of last year
Fixed assets	104,378,940.14	108,178,851.36
Disposal of fixed assets		
Total	104,378,940.14	108,178,851.36

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(X) Fixed assets** (continued)**2. Information of fixed assets**

Item	Buildings and structures	Machinery and equipment	Transportation vehicles	Office and other equipment	Total
1. Initial carrying amount					
(1) Closing balance at the end of last year	121,857,436.58	102,692,072.54	14,268,447.70	15,310,081.69	254,128,038.51
(2) Increase during the period	27,962.13	4,372,919.96	1,226,990.46	865,587.54	6,493,460.09
— Additions	27,962.13	2,647,356.14	990,790.46	136,787.54	3,802,896.27
— Transferred from construction-in-progress		1,725,563.82	236,200.00	728,800.00	2,690,563.82
(3) Decrease during the period	68,213.00		525,130.54		593,343.54
— Disposal or abolishment	68,213.00		525,130.54		593,343.54
(4) Closing balance	121,817,185.71	107,064,992.50	14,970,307.62	16,175,669.23	260,028,155.06
2. Accumulated depreciation					
(1) Closing balance at the end of last year	40,266,198.40	69,166,964.59	11,227,549.28	12,094,427.54	132,755,139.81
(2) Increase during the period	4,140,738.12	3,445,654.57	962,776.82	685,891.55	9,235,061.06
— Provision	4,140,738.12	3,445,654.57	962,776.82	685,891.55	9,235,061.06
(3) Decrease during the period	68,213.00		499,027.19		567,240.19
— Disposal or abolishment	68,213.00		499,027.19		567,240.19
(4) Closing balance	44,338,723.52	72,612,619.16	11,691,298.91	12,780,319.09	141,422,960.68
3. Impairment provision					
(1) Closing balance at the end of last year	10,115,195.29	2,887,008.56	8,554.92	183,288.57	13,194,047.34
(2) Increase during the period		1,032,206.90			1,032,206.90
— Provision		1,032,206.90			1,032,206.90
(3) Decrease during the period					
(4) Closing balance	10,115,195.29	3,919,215.46	8,554.92	183,288.57	14,226,254.24
4. Carrying amount					
(1) Carrying amount at the end of the period	67,363,266.90	30,533,157.88	3,270,453.79	3,212,061.57	104,378,940.14
(2) Carrying amount at the end of last year	71,476,042.89	30,638,099.39	3,032,343.50	3,032,365.58	108,178,851.36

Note: In 2025, some subsidiaries of the Company faced difficulties in operation and their business volume have decreased, and the machineries and equipment used for production showed indications for impairment. The Company has conducted impairment test for the above machineries and equipment. Upon comparing the carrying amount and expected recoverable amount for the corresponding assets, the Company has made impairment provision for those asset amounts of RMB1.0322 million.

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(X) Fixed assets** *(continued)***3. Temporarily idle fixed assets**

Item	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount	Remark
Buildings and structures	11,412,613.62	4,179,657.25	7,157,868.47	75,087.90	
Machinery and equipment	25,391,241.91	23,620,120.51	1,362,878.04	408,243.36	
Transportation	371,464.07	350,959.00		20,505.07	
Office and other equipment	1,726,634.93	1,603,247.52	1,907.25	121,480.16	
Total	38,901,954.53	29,753,984.28	8,522,653.76	625,316.49	

4. Information of operating leased fixed assets

Item	Carrying amount at the end of the period
Buildings and structures	537,703.03
Total	537,703.03

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(X) Fixed assets** *(continued)***5. Information on fixed assets lack of title certificates**

Item	Carrying amount	Reason for not obtaining title certificate yet
Certain buildings and structures of Tiancheng Water Saving, our subsidiary	5,687,278.13	The pelletizing base project has not been accepted as a whole, and the certificate has not been obtained
Certain buildings and structures of Nanjiang Water Saving, our subsidiary	4,176,394.81	Fire inspection has not been completed
Certain buildings and structures of Akesu Tianye, our subsidiary	346,519.14	Due to being constructed in the early stages, there are no acceptance procedures, and it is not possible to obtain a property ownership certificate
Certain buildings and structures of Tiantun Supply Chain, our subsidiary	16,108.83	Due to being constructed in the early stages, it is not possible to obtain a property ownership certificate

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XI) Construction-in-progress****1. Construction-in-progress and project materials**

Item	Closing balance		Closing balance at the end of last year			
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Construction-in-progress	1,173,864.90		1,173,864.90	1,722,536.19		1,722,536.19
Total	1,173,864.90		1,173,864.90	1,722,536.19		1,722,536.19

2. Information of construction-in-progress

Item	Closing balance		Carrying amount	Closing balance at the end of last year		
	Book balance	Provision for impairment		Book balance	Provision for impairment	Carrying amount
Construction project of 2*180m³/h commercial concrete production line and supporting facilities	1,173,864.90		1,173,864.90			
Equipment to be installed — Xinjiang High-efficiency Water Saving Industry Innovation Design Institute				991,488.14		991,488.14
Equipment to be installed — Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products (supporting the XPCC)				459,175.58		459,175.58
Infrastructure construction project at Linze Plant Phase 3 (fire renovation of production workshop)				236,456.54		236,456.54
Equipment to be installed — Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products				35,415.93		35,415.93
Total	1,173,864.90		1,173,864.90	1,722,536.19		1,722,536.19

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XI) Construction-in-progress** (continued)**3. Changes in key construction-in-progress projects during the period**

Name of works	Closing balance at the end of last year	Increase during the period	Amount carried forward to fixed assets during the period	Decrease in others during the period	Closing balance
Equipment to be installed — Xinjiang High-efficiency Water Saving Industry Innovation Design Institute	991,488.14		991,488.14		
Equipment to be installed — Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products (supporting the XPCC)	459,175.58		459,175.58		
Infrastructure construction project at Linze Plant Phase 3 (fire renovation of production workshop)	236,456.54	75,743.12		312,199.66	
Equipment to be installed — Research and Development, Industrialization and Demonstration of High-efficiency Salt Discharge Subsurface Pipe Products	35,415.93		35,415.93		
Construction project of 2*180m ³ /h commercial concrete production line and supporting facilities		1,173,864.90			1,173,864.90
Sand and gravel separator and gantry car wash machine project		965,000.00	965,000.00		
Equipment to be installed		239,484.17	239,484.17		
Total	1,722,536.19	2,454,092.19	2,690,563.82	312,199.66	1,173,864.90

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XII) Productive biological assets****Productive biological assets under the cost measurement model**

Item	Crop farming Tangerines	Total
1. Initial carrying amount		
(1) Closing balance at the end of last year	37,298,495.26	37,298,495.26
(2) Increase during the period		
(3) Decrease during the period		
(4) Closing balance	37,298,495.26	37,298,495.26
2. Accumulated depreciation		
(1) Closing balance at the end of last year	2,825,477.78	2,825,477.78
(2) Increase during the period	2,159,999.14	2,159,999.14
— Provision	2,159,999.14	2,159,999.14
(3) Decrease during the period		
(4) Closing balance	4,985,476.92	4,985,476.92
3. Provision for impairment		
(1) Closing balance at the end of last year		
(2) Increase during the period		
(3) Decrease during the period		
(4) Closing balance		
4. Carrying amount		
(1) Carrying amount at the end of the period	32,313,018.34	32,313,018.34
(2) Carrying amount at the end of last year	34,473,017.48	34,473,017.48

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XIII) Right-of-use assets**

Item	Buildings and structures	Land use rights	Machinery and equipment	Transportation	Total
1. Initial carrying amount					
(1) Closing balance at the end of last year	7,553,145.08	48,579,779.41	147,132.93	333,659.94	56,613,717.36
(2) Increase during the period	3,208,337.36		252,462.34	910,820.97	4,371,620.67
— Newly added leases	3,208,337.36		252,462.34	910,820.97	4,371,620.67
(3) Decrease during the period	1,449,858.59	5,355,776.33			6,805,634.92
— Disposal	1,449,858.59	5,355,776.33			6,805,634.92
(4) Closing balance	9,311,623.85	43,224,003.08	399,595.27	1,244,480.91	54,179,703.11
2. Accumulated depreciation					
(1) Closing balance at the end of last year	2,446,041.20	12,880,975.61	61,305.45	33,366.00	15,421,688.26
(2) Increase during the period	1,408,618.15	3,732,191.40	84,154.10	129,983.45	5,354,947.10
— Provision	1,408,618.15	3,732,191.40	84,154.10	129,983.45	5,354,947.10
(3) Decrease during the period	1,224,047.30	5,176,621.23			6,400,668.53
— Disposal	1,224,047.30	5,176,621.23			6,400,668.53
(4) Closing balance	2,630,612.05	11,436,545.78	145,459.55	163,349.45	14,375,966.83
3. Provision for impairment					
(1) Closing balance at the end of last year					
(2) Increase during the period					
(3) Decrease during the period					
(4) Closing balance					
4. Carrying amount					
(1) Carrying amount at the end of the period	6,681,011.80	31,787,457.30	254,135.72	1,081,131.46	39,803,736.28
(2) Carrying amount at the end of last year	5,107,103.88	35,698,803.80	85,827.48	300,293.94	41,192,029.10

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XIV) Intangible assets****1. Information on intangible assets**

Item	Land use rights	Patent	ERP software	Non-patent technology	Total
1. Initial carrying amount					
(1) Closing balance at the end of last year	20,596,728.55	6,607,007.22	654,348.08	2,088,386.15	29,946,470.00
(2) Increase during the period	71,957.55		35,849.06		107,806.61
— Purchase	71,957.55		35,849.06		107,806.61
(3) Decrease during the period					
(4) Closing balance	20,668,686.10	6,607,007.22	690,197.14	2,088,386.15	30,054,276.61
2. Accumulated amortization					
(1) Closing balance at the end of last year	6,302,671.96	5,286,724.49	150,688.93	2,088,386.15	13,828,471.53
(2) Increase during the period	716,341.91	1,202,594.08	77,325.80		1,996,261.79
— Provision	716,341.91	1,202,594.08	77,325.80		1,996,261.79
(3) Decrease during the period					
(4) Closing balance	7,019,013.87	6,489,318.57	228,014.73	2,088,386.15	15,824,733.32
3. Provision for impairment					
(1) Closing balance at the end of last year					
(2) Increase during the period					
(3) Decrease during the period					
(4) Closing balance					
4. Carrying amount					
(1) Carrying amount at the end of the period	13,649,672.23	117,688.65	462,182.41		14,229,543.29
(2) Carrying amount at the end of last year	14,294,056.59	1,320,282.73	503,659.15		16,117,998.47

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XIV) Intangible assets** *(continued)***2. Information on land use rights lack of title certificates**

Item	Carrying amount	Reason for not obtaining title certificate yet
Land use rights of Tiancheng Water Saving	1,653,684.95	The pelletizing base of Tiancheng Water Saving has not been accepted, and the land ownership certificate has not been obtained
Total	1,653,684.95	

(XV) Goodwill

Investee/item with goodwill formed	Closing balance at the end of last year	Increase during the period		Decrease during the period		Closing balance
		Arising from business combination	Others	Disposal	Others	
Initial carrying amount						
Tianbei Runtong	31,488.17			31,488.17		
Subtotal	31,488.17			31,488.17		
Impairment provision						
Tianbei Runtong	31,488.17			31,488.17		
Subtotal	31,488.17			31,488.17		
Carrying amount						

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XVI) Long-term deferred expenses**

Item	Closing balance at the end of last year	Increase during the period	Amortized during the period	Decreased in others	Closing balance
Repair and maintenance works	5,549,164.40	741,012.16	1,151,894.62		5,138,281.94
Total	5,549,164.40	741,012.16	1,151,894.62		5,138,281.94

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

Item	Closing balance		Closing balance at the end of last year	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for asset impairment	14,116,292.94	2,924,889.45	21,930,274.84	4,085,983.38
Lease liabilities	39,836,389.79	6,303,132.61	40,819,297.63	6,443,355.78
Total	53,952,682.73	9,228,022.06	62,749,572.47	10,529,339.16

2. Deferred income tax liabilities un-eliminated

Item	Closing balance		Closing balance at the end of last year	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Right-of-use assets	39,803,736.28	6,300,826.78	41,192,029.10	6,513,765.28
Total	39,803,736.28	6,300,826.78	41,192,029.10	6,513,765.28

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XVII) Deferred income tax assets and deferred income tax liabilities** (continued)**3. Deferred income tax assets or liabilities presented net after elimination**

Item	Closing balance		Closing balance at the end of last year	
	Offset amount of deferred income tax assets and liabilities	Balance of deferred tax assets or liabilities after offset	Offset amount of deferred income tax assets and liabilities	Balance of deferred tax assets or liabilities after offset
Deferred income tax assets	6,275,742.00	2,952,280.06	6,399,524.99	4,129,814.17
Deferred income tax liabilities	6,275,742.00	25,084.78	6,399,524.99	114,240.29

4. Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Closing balance at the end of last year
Deductible temporary differences	117,718,734.34	93,822,742.36
Deductible losses	200,343,112.05	160,004,741.13
Total	318,061,846.39	253,827,483.49

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XVII) Deferred income tax assets and deferred income tax liabilities** (continued)

5. **Deductible losses that have not recognized for deferred income tax assets will expire in the years as set out below**

Year	Closing balance	Closing balance at the end of last year	Remark
2025		3,900,259.04	
2026	27,904,850.57	27,904,850.57	
2027	72,601,436.57	72,601,436.57	
2028	8,750,892.61	8,750,892.61	
2029	46,847,302.34	46,847,302.34	
2030	44,238,629.96		
Total	200,343,112.05	160,004,741.13	

(XVIII) Assets with ownership or right of use restricted

Item	Closing balance				Closing balance at the end of last year			
	Book balance	Carrying amount	Type of restriction	Cases of restriction	Book balance	Carrying amount	Type of restriction	Cases of restriction
Cash	19,315,905.46	19,315,905.46	Right of use is restricted	Deposits for letters of guarantee, frozen funds for lawsuit, deposits for migrant workers' accounts, etc.	7,637,223.11	7,637,223.11	Right of use is restricted	Deposits for letters of guarantee, frozen funds for lawsuit, deposits for migrant workers' accounts, etc.
Total	19,315,905.46	19,315,905.46			7,637,223.11	7,637,223.11		

Note: Details are set out in note V. (I).

(XIX) Short-term borrowings

Item	Closing balance	Closing balance at the end of last year
Credit borrowings	20,014,608.90	14,991,773.02
Total	20,014,608.90	14,991,773.02

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XX) Trade payables****1. Presentation of trade payables**

Item	Closing balance	Closing balance at the end of last year
Payment for goods	281,804,937.08	322,402,700.01
Project and equipment funds	122,010,509.94	130,127,864.04
Total	403,815,447.02	452,530,564.05

2. Aging of trade payables presented by record date

Aging	Closing balance	Closing balance at the end of last year
Within 1 year (inclusive, same below)	162,248,341.38	285,149,010.16
1-2 years	124,646,477.84	85,804,334.60
2-3 years	48,869,243.64	25,477,843.98
Over 3 years	68,051,384.16	56,099,375.31
Total	403,815,447.02	452,530,564.05

Note: Aging analysis over trade payables is based on the month when amounts are actually recorded, and the settlement to such amount that occurs first will be prioritized in terms of capital turnover.

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XX) Trade payables** *(continued)***3. Significant trade payables aged more than one year or overdue**

Item	Closing balance	Reasons for unsettlement or carry-over
Tianye Group	54,419,840.70	Credit period was offered by related parties, and subsequent repayment has been planned
Total	54,419,840.70	

(XXI) Contract liabilities**1. Information on contract liabilities**

Item	Closing balance	Closing balance at the end of last year
Receipts in advance for sale of goods	17,565,214.98	13,918,007.90
Project funds in advance	314,472,434.27	167,506,237.58
Total	332,037,649.25	181,424,245.48

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXI) Contract liabilities** *(continued)***2. Amount and reasons for significant changes in carrying amount during the reporting period**

Item	Amount of change	Reason of change
14,000 mu Forage Base Construction Project in the Hemoluo Industrial Park, Fourth Company, by 2025	39,301,956.59	Increase in amount due to the receipt of cash in the current period (excluding amount recognized as income in the current period)
2025 Eighth Division Shihezi City Urban Water Affairs Informatization and Supporting Renovation Project Integrated Design, Procurement and Construction General Contracting	31,986,878.54	Increase in amount due to the receipt of cash in the current period (excluding amount recognized as income in the current period)
Bayannur City Linhe District Agriculture and Animal Husbandry Bureau	25,119,624.77	Increase in amount due to the receipt of cash in the current period (excluding amount recognized as income in the current period)
15,000 mu Forage Base Construction Project in the Hemoluo Industrial Park, Sixth Company, to be completed by 2025 (under construction)	21,733,895.95	Increase in amount due to the receipt of cash in the current period (excluding amount recognized as income in the current period)
15,000 mu Land Leveling and Forage Base Construction Project in Hotan Industrial Park Luopu Area — EPC	-15,118,490.78	Amount of contract liabilities at the beginning of the year transferred to the business income in the current period
Total	103,023,865.07	

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXII) Employee remuneration payables****1. Presentation of employee remuneration payables**

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance
Short-term remuneration	5,469,221.18	63,918,685.36	64,145,419.50	5,242,487.04
Post-employment benefits				
— the defined contribution schemes	178,401.26	10,813,511.02	10,802,801.70	189,110.58
Termination benefits		277,873.13	277,873.13	
Total	5,647,622.44	75,010,069.51	75,226,094.33	5,431,597.62

2. Presentation of short-term remuneration

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance
(1) Salary, bonus, allowance and subsidy	529,224.80	49,453,346.39	49,772,414.52	210,156.67
(2) Employee benefits	538,857.50	3,754,829.23	3,748,091.31	545,595.42
(3) Social security insurance	150,811.84	5,207,975.38	4,919,531.98	439,255.24
Including: Medical insurance				
contributions	150,375.64	4,797,943.59	4,509,866.01	438,453.22
Work injury insurance				
contributions	436.20	410,031.79	409,665.97	802.02
(4) Housing provident fund	13,004.71	4,358,593.26	4,349,801.26	21,796.71
(5) Union and education funds	4,237,322.33	896,327.09	1,107,966.42	4,025,683.00
(6) Other short-term remuneration		247,614.01	247,614.01	
Total	5,469,221.18	63,918,685.36	64,145,419.50	5,242,487.04

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXII) Employee remuneration payables** *(continued)***3. Presentation of defined contribution schemes**

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance
Basic endowment insurance contributions	35,459.96	7,748,179.04	7,741,785.72	41,853.28
Unemployment insurance contributions	1,038.30	239,348.35	239,135.35	1,251.30
Enterprise annuity	141,903.00	2,825,983.63	2,821,880.63	146,006.00
Total	178,401.26	10,813,511.02	10,802,801.70	189,110.58

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

According to the Enterprise Annuity Scheme of Tianye Group, the Company and its subsidiaries shall pay enterprise annuity for their employees, who are set to receive the accumulated amount on their individual accounts (including principal and investment income) in a lump sum once they reach the retirement age prescribed by the government or quitting from their job position for any other reason.

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXIII) Tax and levy payables**

Tax and levy item	Closing balance	Closing balance at the end of last year
VAT	251,949.02	4,168,107.31
EIT	1,291,940.87	2,141,243.80
City maintenance and construction tax	13,041.68	484,110.25
Individual income tax	208,158.43	201,721.82
Education surcharge (including local education surcharge)	14,500.39	307,537.35
Other taxes and levies	355,213.99	340,915.51
Total	2,134,804.38	7,643,636.04

(XXIV) Other payables

Item	Closing balance	Closing balance at the end of last year
Interest payables		
Dividend payables	3,052,398.55	3,052,398.55
Other payables	41,564,237.98	44,626,474.65
Total	44,616,636.53	47,678,873.20

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXIV) Other payables** *(continued)***1. Dividend payables**

Item	Closing balance	Closing balance at the end of last year
Shihezi Baiyang Pre-Mixed Concrete Co., Ltd.	3,052,398.55	3,052,398.55
Total	3,052,398.55	3,052,398.55

2. Other payables*(1) Presented by the nature of items*

Item	Closing balance	Closing balance at the end of last year
Current account	3,362,585.32	11,493,172.33
Fund of agent for charging and paying	4,171,884.41	3,542,644.01
Security deposits	26,805,583.85	24,614,327.31
Employee borrowings	1,087,967.33	1,192,773.05
Withholding charges	2,420,300.20	3,082,923.75
Others	3,715,916.87	700,634.20
Total	41,564,237.98	44,626,474.65

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXV) Non-current liabilities due within one year**

Item	Closing balance	Closing balance at the end of last year
Long-term borrowings due within one year	49,734,016.88	47,370.82
Lease liabilities due within one year	3,300,759.80	3,781,358.50
Total	53,034,776.68	3,828,729.32

(XXVI) Other current liabilities

Item	Closing balance	Closing balance at the end of last year
Output tax to be transferred	4,952,704.51	2,202,348.64
Total	4,952,704.51	2,202,348.64

(XXVII) Long-term borrowings

Item	Closing balance	Closing balance at the end of last year
Guarantee borrowings		49,900,000.00
Total		49,900,000.00

(XXVIII) Lease liabilities

Item	Closing balance	Closing balance at the end of last year
Lease Liabilities	44,215,941.60	43,533,204.43
Total	44,215,941.60	43,533,204.43

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XXIX) Deferred income**

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants relating to assets	4,902,110.90		892,741.56	4,009,369.34	
Government grants relating to income	8,541,534.41	23,616,300.00	9,773,504.08	22,384,330.33	
Total	13,443,645.31	23,616,300.00	10,666,245.64	26,393,699.67	

(XXX) Share capital

Item	Closing balance at the end of last year	Increase (+)/decrease(-) during the period				Sub-total	Closing balance
		New shares issuance	Bonus shares	Conversion from reserve	Others		
Non-tradable shares	317,121,560.00						317,121,560.00
Domestic shares held by legal persons	317,121,560.00						317,121,560.00
Non-restricted tradable shares	202,400,000.00						202,400,000.00
H-shares	202,400,000.00						202,400,000.00
Total number of shares	519,521,560.00						519,521,560.00

(XXXI) Capital reserve

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance
Share capital premium	42,931,858.62			42,931,858.62
Other capital reserve	10,000,000.00			10,000,000.00
Total	52,931,858.62			52,931,858.62

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXXII) Special reserve**

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance
Production safety expenses	32,735.56	6,931,683.86	6,964,119.42	300.00
Total	32,735.56	6,931,683.86	6,964,119.42	300.00

(XXXIII) Surplus reserves

Item	Closing balance at the end of last year	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserve	34,724,097.27			34,724,097.27
Total	34,724,097.27			34,724,097.27

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXXIV) Undistributed profits**

Item	Current period	Corresponding period last year
Undistributed profit at the end of last year before adjustment	-225,492,586.33	-185,956,714.62
Adjust the total amount of undistributed profit at the beginning of the year (increase +, decrease-)		
Undistributed profit at the beginning of the year after adjustment	-225,492,586.33	-185,956,714.62
Add: Net profits attributable to owners of the Parent Company for the current period	-54,824,904.28	-39,535,871.71
Less: Withdrawal of statutory surplus reserve		
Withdrawal of discretionary surplus reserve		
Withdrawal of reserve fund		
Withdrawal of corporate development fund		
Withdrawal of general risk reserve		
Ordinary share dividends payable		
Dividend payable to other equity owners		
Ordinary share dividends transferred to share capital		
Decrease in others		
Undistributed profit at the end of the period	-280,317,490.61	-225,492,586.33

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXXV) Operating income and cost of sales****1. Information on operating income and cost of sales**

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Principal businesses	826,619,799.03	768,050,072.06	1,455,896,031.92	1,414,282,145.00
Other businesses	21,776,851.51	14,954,515.13	42,665,900.26	33,847,018.08
Total	848,396,650.54	783,004,587.19	1,498,561,932.18	1,448,129,163.08

2. Breakdown of operating income and operating costs

(1) Breakdown of revenue from contracts with customers by types of goods or services

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Drip films, drip tape, and drip assemblies	30,538,540.68	27,295,175.16	53,388,344.47	47,619,991.00
PVC pipes/PE pipes	159,208,344.67	149,795,041.00	301,007,898.33	277,551,748.21
Project	436,682,337.17	397,939,483.89	578,051,507.54	567,036,834.40
Trading	187,862,238.82	183,090,354.15	501,559,971.23	497,858,325.27
Construction materials	12,328,337.69	9,930,017.86	21,888,310.35	24,215,246.12
Other businesses	20,953,320.50	14,651,385.06	38,523,072.25	30,808,544.29
Total	847,573,119.53	782,701,457.12	1,494,419,104.17	1,445,090,689.29

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXXV) Operating income and cost of sales** *(continued)***2. Breakdown of operating income and operating costs** *(continued)**(2) Breakdown of revenue from contracts with customers by operating regions*

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Domestic	847,573,119.53	782,701,457.12	1,494,419,104.17	1,445,090,689.29
Total	847,573,119.53	782,701,457.12	1,494,419,104.17	1,445,090,689.29

(3) Breakdown of revenue from contracts with customers by time of transfer of goods or services

Item	Current period	Corresponding period last year
Revenue recognized at a point of time	410,890,782.36	916,367,596.63
Revenue recognized over time	436,682,337.17	578,051,507.54
Total	847,573,119.53	1,494,419,104.17

(4) Revenue recognized in the current period which is included in the carrying amount at the beginning of the period of contract liabilities is RMB171,161,833.67.

(5) The construction and installation engineering contracts provided by the Company generally constitute a single performance obligation in its entirety and are performance obligations performed within a specific period of time. As at 31st December, 2025, some of the Company's construction and installation contracts are still in the process of performance, and the transaction price allocated to the outstanding (or partially outstanding) performance obligations is related to the performance progress of the corresponding contracts, and will be recognized as revenue according to the performance progress in the future performance period of the corresponding contracts.

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XXXVII) Taxes and surcharges**

Item	Current period	Corresponding period last year
Urban land use tax	1,258,322.06	1,258,322.06
Education surcharge	1,052,883.80	1,577,912.24
City maintenance and construction tax	908,492.68	1,886,693.32
Stamp duty tax	896,217.04	1,117,856.58
Property tax	336,098.41	346,160.24
Environmental protection tax	61,614.87	623.34
Resources tax	40,762.64	
Vehicle and vessel use tax	35,933.70	15,582.53
Water conservancy fund		545.64
Others	104.14	2,640.00
Total	4,590,429.34	6,206,335.95

(XXXVIII) Distribution costs

Item	Current period	Corresponding period last year
Salaries benefits and social security contributions	11,809,709.36	14,863,916.49
Sale service fee	1,113,166.20	2,879,746.72
Tender fee	825,968.41	420,979.97
Travel expenses	648,690.85	762,095.02
Depreciation charge	429,019.17	527,524.53
Lease expenses	164,361.88	140,270.76
Materials consumption fees	61,743.61	87,104.12
Others	533,525.85	611,051.67
Total	15,586,185.33	20,292,689.28

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(XXXVIII) Administrative expenses**

Item	Current period	Corresponding period last year
Salaries benefits	40,049,832.61	37,148,470.58
Agency service fees	6,070,800.30	3,711,774.15
Depreciation and amortization charges	5,321,476.57	5,214,243.10
Water, electricity and heating fees	2,131,425.84	844,989.89
Losses from work suspension	1,652,681.23	1,948,310.05
Travel expenses	1,604,842.03	1,441,181.56
Lease fees	1,042,875.23	1,459,128.93
Office costs	509,183.06	522,033.91
Car expenses	471,757.57	517,914.26
Service fees	337,064.02	990,829.94
Others	6,829,943.02	2,493,774.49
Total	66,021,881.48	56,292,650.86

Note: Included in the administrative expenses for the year was RMB0.75 million of auditor's remuneration (2024: RMB0.73 million).

(XXXIX) Research and development expenses

Item	Current period	Corresponding period last year
Materials	10,434,853.95	9,975,158.85
Labour service fees	2,007,284.65	1,276,349.64
Equipment fees	1,925,517.45	1,937,334.79
Technological development fees	1,779,121.40	700,955.52
Employee remuneration	1,663,095.97	1,118,702.62
Testing and examination fees	676,508.10	2,707.55
Depreciation and amortization	76,384.20	
Travel expenses	11,839.83	65,189.95
Other expenses	1,541,128.47	28,390.43
Total	20,115,734.02	15,104,789.35

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XL) Finance costs**

Item	Current period	Corresponding period last year
Interest expenses	3,381,956.20	4,520,225.95
Including: Interest expenses of lease liabilities	398,418.69	669,898.52
Less: Interest income	435,892.84	657,253.64
Commission	137,868.98	162,647.08
Total	3,083,932.34	4,025,619.39

(XLI) Other gains

Item	Current period	Corresponding period last year
Government grants relating to assets	892,741.56	1,981,236.03
Government grants relating to income	10,406,467.57	9,769,963.46
Refund of handling fees for withholding individual income taxes	6,288.42	2,057.36
Value added tax directly exempted	8,450.00	5,850.00
Total	11,313,947.55	11,759,106.85

(XLII) Investment income

Item	Current period	Corresponding period last year
Return on long-term equity investments accounted with the equity method	-134,266.57	-577,693.13
Investment income from the disposal of long-term equity investments	702,035.32	
Total	567,768.75	-577,693.13

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XLIII) Credit impairment loss**

Item	Current period	Corresponding period last year
Bad-debt loss from trade receivables	4,208,003.81	-9,199,426.29
Bad-debt loss from other receivables	2,608,651.96	1,425,844.45
Total	6,816,655.77	-7,773,581.84

(XLIV) Asset impairment loss

Item	Current period	Corresponding period last year
Inventory impairment loss and contract performance costs impairment loss	11,519,532.08	8,524,025.69
Contract assets impairment losses	2,515,411.91	-16,992.39
Fixed assets impairment losses	1,032,206.90	1,013,053.34
Goodwill impairment loss		31,488.17
Total	15,067,150.89	9,551,574.81

(XLV) Gains on disposal of assets

Item	Current period	Corresponding period last year	Amount included in non-recurring profit or loss for the period
Gain from disposal of fixed assets	924,983.75		924,983.75
Gain from disposal of right- of-use assets	142,890.39		142,890.39
Total	1,067,874.14		1,067,874.14

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V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XLVI) Non-operating income**

Item	Current period	Corresponding period last year	Amount included in non-recurring profit or loss for the period
Unable to pay	2,250,267.83	3,551,345.73	2,250,267.83
Gains from damage and retirement of non-current assets	3,694.44		3,694.44
Compensations	800.00	17,079.36	800.00
Others	204,968.09	1,019,067.73	204,968.09
Total	2,459,730.36	4,587,492.82	2,459,730.36

(XLVII) Non-operating expenses

Item	Current period	Corresponding period last year	Amount included in non-recurring profit or loss for the period
Loss on disposal of non-current assets	16,220.54		16,220.54
Litigation damages	10,000.00	1,774,400.76	10,000.00
Others	1,813,981.48	311,097.89	1,813,981.48
Total	1,840,202.02	2,085,498.65	1,840,202.02

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XLVIII) Income tax charges****1. Income tax charges table**

Item	Current period	Corresponding period last year
Current income tax charges	1,588,169.85	5,590,496.54
Deferred income tax charges	1,088,378.60	-375,608.19
Total	2,676,548.45	5,214,888.35

2. Reconciliation between accounting profits and income tax expenses

Item	Current period
Total profits	-52,320,787.04
Income tax expenses calculated at applicable tax rates	-7,848,118.06
Effect of different tax rates adopted by subsidiaries	345,977.12
Effect of adjustments to income tax for prior periods	-532,787.47
Effect of non-taxable income	
Effect of non-deductible costs, expenses and losses	468,270.60
Effect of deductible losses that have not recognized for deferred income tax assets during the prior period	-993,252.62
Effect of deductible temporary differences or deductible losses that have not recognized for deferred income tax assets during the period	12,889,969.85
Profit or loss attributable to joint ventures and associates	20,139.84
Tax effect of additional deduction	-1,397,272.20
Others	-276,378.61
Income tax expenses	2,676,548.45

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(XLIX) Earnings per share****1. Basic earnings per share**

Basic earnings per share is calculated by dividing the consolidated net profits attributable to the ordinary shareholders of the Parent Company by the weighted average number of outstanding ordinary shares of the Company:

Item	Current period	Corresponding period last year
Consolidated net profits attributable to the ordinary shareholders of the Parent Company	-54,824,904.28	-39,535,871.71
Weighted average number of outstanding ordinary shares of the Company	519,521,560.00	519,521,560.00
Basic earnings per share	-0.11	-0.08
Including: Basic earnings per share from continuing operations	-0.11	-0.08
Basic earnings per share from discontinued operations		

2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profits attributable to the ordinary shareholders of the Parent Company (diluted) by the weighted average number of outstanding ordinary shares of the Company (diluted):

Item	Current period	Corresponding period last year
Consolidated net profits attributable to the ordinary shareholders of the Parent Company (diluted)	-54,824,904.28	-39,535,871.71
Weighted average number of outstanding ordinary shares of the Company (diluted)	519,521,560.00	519,521,560.00
Diluted earnings per share	-0.11	-0.08
Including: Diluted earnings per share from continuing operations	-0.11	-0.08
Diluted earnings per share from discontinued operations		

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(L) Supplemental information to Income Statement in which expenses are categorized by their nature**

Cost of sales, distribution costs, administrative expenses, research and development expenses and finance costs in the income statement are categorized by their nature, presented below:

Item	Current period	Corresponding period last year
Raw materials consumed	389,867,145.87	994,096,681.02
Subcontracting costs	206,972,237.88	266,378,497.71
Employee remuneration	75,010,069.51	84,631,135.36
Research expenses	7,941,399.90	4,010,927.88
Depreciation expenses and amortization expenses	19,469,100.28	19,384,102.40
Others	188,552,366.92	175,343,567.59
Total	887,812,320.36	1,543,844,911.96

(LI) Items in Cash Flows Statement**1. Cash relating to operating activities***(1) Other cash received relating to operating activities*

Item	Current period	Corresponding period last year
Interest income	435,892.84	657,253.64
Security, current accounts and petty cash received	13,605,975.71	18,027,676.54
Government grants received	25,159,263.49	26,174,913.85
Other non-operating income received	205,768.09	1,036,147.09
Total	39,406,900.13	45,895,991.12

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(LI) Items in Cash Flows Statement** *(continued)***1. Cash relating to operating activities** *(continued)**(2) Other cash paid relating to operating activities*

Item	Current period	Corresponding period last year
Distribution costs, administrative expenses and research and development costs paid	43,296,222.30	32,817,272.17
Financial handling charges paid	137,868.98	162,647.08
Security, deposit and current accounts paid	21,973,063.58	11,874,356.24
Non-operating expenses and others paid	14,520,018.85	2,085,498.65
Total	79,927,173.71	46,939,774.14

2. Cash relating to investing activities*(1) Other cash received relating to investing activities*

Item	Current period	Corresponding period last year
Net cash received from the acquisition of Tianbei Runtong		453,260.45
Total		453,260.45

(2) Other cash paid relating to investing activities

Item	Current period	Corresponding period last year
Net cash paid for the disposal of sub-subsidiary		300.00
Total		300.00

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(LI) Items in Cash Flows Statement** *(continued)***3. Cash relating to financing activities***(1) Other cash paid relating to financing activities*

Item	Current period	Corresponding period last year
Lease payment paid	1,870,241.94	2,883,291.46
Cash paid for business combination under common control of Beijing Tianye		20,161,900.00
Total	1,870,241.94	23,045,191.46

(2) Changes in liabilities arose from financing activities

Item	Closing balance of previous year	Increase during the period		Decrease during the period		Closing balance
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Short-term borrowings	14,991,773.02	50,000,000.00	14,608.90	44,977,800.00	13,973.02	20,014,608.90
Interests payable			2,996,255.58	2,996,255.58		
Dividends payable	3,052,398.55					3,052,398.55
Other payables		954,403.20				954,403.20
Non-current liabilities due within a year	3,828,729.32		53,034,776.68	1,870,241.94	1,958,487.38	53,034,776.68
Lease liabilities	43,533,204.43		3,983,496.97		3,300,759.80	44,215,941.60
Long-term borrowings	49,900,000.00			200,000.00	49,700,000.00	
Total	115,306,105.32	50,954,403.20	60,029,138.13	50,044,297.52	54,973,220.20	121,272,128.93

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

(LII) Supplemental information to Cash Flows Statement

1. Supplemental information to Cash Flows Statement

Supplemental information	Current period	Corresponding period last year
1. Adjusting net profits to cash flow for operating activities		
Net profits	-54,997,335.49	-44,798,789.16
Add: Credit impairment loss	6,816,655.77	-7,773,581.84
Assets impairment loss	15,067,150.89	9,551,574.81
Depreciation of fixed assets	9,235,061.06	9,575,388.22
Depreciation of productive biological assets	2,159,999.14	1,730,935.71
Depreciation of oil and gas assets		
Depreciation of right-of-use assets	5,354,947.10	5,535,489.62
Amortization of intangible assets	1,996,261.79	2,002,480.91
Amortization of long-term deferred expenses	1,151,894.62	3,309,742.54
Loss on disposal of fixed, intangible and other long-term assets (gain is denoted as “—”)	-1,067,874.14	
Loss on retirement of fixed assets (gain is denoted as “—”)	12,526.10	
Loss on changes in fair value (gain is denoted as “—”)		
Finance costs (gain is denoted as “—”)	3,381,956.20	4,520,225.95
Investment loss (gain is denoted as “—”)	-567,768.75	577,693.13
Decrease in deferred income tax assets (increase is denoted as “—”)	1,177,534.11	-453,848.48
Increase in deferred income tax liabilities (decrease is denoted as “—”)	-89,155.51	78,240.29
Decrease in inventories (increase is denoted as “—”)	-15,915,953.27	81,046,282.66
Decrease in operating receivables (increase is denoted as “—”)	-18,602,948.50	2,499,071.87
Increase in operating payables (decrease is denoted as “—”)	105,008,742.03	59,883,838.86
Others	-11,711,117.91	-1,163,177.11
Net cash flow generated from operating activities	48,410,575.24	126,121,567.98

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS (continued)**(LII) Supplemental information to Cash Flows Statement** (continued)**1. Supplemental information to Cash Flows Statement** (continued)

Supplemental information	Current period	Corresponding period last year
2. Material investing and financing activities without cash payment or receipt		
Conversion of debt to capital		
Convertible corporate bonds due within one year		
Acquisition of right-of-use assets by assuming lease liabilities		
3. Net change in cash and cash equivalents		
Closing cash balance	458,382,831.67	414,686,831.23
Less: Opening cash balance	414,686,831.23	336,067,925.79
Add: Closing cash equivalents balance		
Less: Opening cash equivalents balance		
Net increase in cash and cash equivalents	43,696,000.44	78,618,905.44

2. Net cash for the disposal of subsidiaries received in the current period

	Amount
Cash and cash equivalents received in the current period for the disposal of subsidiaries in the current period	1.00
Including: Xinjiang Tianbei Runtong Construction Engineering Co., Ltd.*	
Less: Cash and cash equivalents held by the subsidiaries at the date of loss of control	12,836.86
Including: Xinjiang Tianbei Runtong Construction Engineering Co., Ltd.*	
Add: Cash and cash equivalents received in the current period for the disposal of subsidiaries in previous periods	
Net cash received from the disposal of subsidiaries	-12,835.86

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(LII) Supplemental information to Cash Flows Statement** *(continued)***3. Composition of cash and cash equivalents**

Item	Closing balance	Closing balance of previous year
1. Cash	458,382,831.67	414,686,831.23
Including: Cash on hand		
Bank deposits readily available for payment	458,382,831.67	414,686,831.23
Lending to players in the same industry		
2. Cash equivalents		
Including: Bond investment due within 3 months		
3. Closing balance of cash and cash equivalents	458,382,831.67	414,686,831.23
Including: Cash and cash equivalents held but unavailable to the Parent Company or other subsidiaries within the Group		

4. Transfer amount endorsed by commercial bills without cash payment or receipt

Item	Current period	Corresponding period last year
Transfer amount endorsed by commercial bills	33,326,431.58	34,207,865.14
Including: Payment for goods	33,326,431.58	34,207,865.14

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(LIII) Notes to items in the Statement of Changes in Owners' Equity**

Nil.

(LIV) Leases**1. As lessee**

Item	Current period	Corresponding period last year
Interest expenses of lease liabilities	1,556,847.09	669,898.52
Expenses for short-term leases with simplified approach included in cost of related assets or profit or loss for the current period	1,207,237.11	1,599,399.69
Expenses for leases of low-value assets with simplified approach included in cost of related assets or profit or loss for the current period (except expenses for short-term leases of low-value assets)		
Variable lease payments not included in the measurement of lease liabilities included in cost of related assets or profit or loss for the current period		
Including: Parts arising from the leaseback transactions		
Income from subleasing of right-of-use assets	558,842.00	558,842.00
Total cash outflow related to leases	3,186,130.39	4,482,691.15
Relevant profit or loss arising from the leaseback transactions		
Cash inflow of leaseback transactions		
Cash outflow of leaseback transactions		

V. NOTES TO ITEMS IN CONSOLIDATED FINANCIAL STATEMENTS *(continued)***(LIV) Leases** *(continued)***2. As lessor***Operating leases*

	Current period	Corresponding period last year
Operating leases income	264,689.01	4,142,828.01
Including: Income related to variable lease payments not included in the lease receipt		

VI. Research and development expenses**(I) Research and development expenses**

Item	Current period	Corresponding period last year
Employee remuneration	1,663,095.97	1,118,702.62
Materials consumed	10,434,853.95	9,975,158.85
Labour service fees	2,007,284.65	1,276,349.64
Other expenses	6,010,499.45	2,734,578.24
Total	20,115,734.02	15,104,789.35
Including: Expensed research and development expenditure	20,115,734.02	15,104,789.35
Capitalized research and development expenditure		

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VII. CHANGE IN THE SCOPE OF CONSOLIDATION

(1) Disposal of subsidiaries

1. Transactions or events involving the loss of control of subsidiaries for the current period

The difference between the disposal proceeds and the share of the subsidiary's net assets at the consolidated financial statements level corresponding to the disposed investment												Amount transferred into investment profit or loss/retained earnings with other comprehensive income related to the equity investment in the original subsidiary
Name of subsidiary	Disposal proceeds at the time of loss of control	Disposal ratio at the time of loss of control (%)	Disposal method at the time of loss of control	Time of loss of control	Judgment basis for the time of loss of control	Remaining equity ratio at the date of loss of control	Carrying amount of the remaining equity at consolidated financial statements level at the date of loss of control	Fair value of the remaining equity at consolidated financial statements level at the date of loss of control	Profit or loss arising from the remaining equity remeasured at fair value	Recognition method and main assumptions for the fair value of the remaining equity at consolidated financial statements level at the date of loss of control	Investment profit or loss/retained earnings with other comprehensive income related to the equity investment in the original subsidiary	
Xijiang Tianye Runtong Construction Engineering Co., Ltd.* (新疆天业润通建设工程有限公司)	1.00	51.00%	Equity transfer	2025/8/31	Share transfer agreement	710,035.32						

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VIII. INTERESTS IN OTHER ENTITIES

(I) Interests in subsidiaries

1. Composition of group corporations

Name of subsidiary	Paid-in capital amount	Place of principal operation	Place of registration	Nature of business	Type of legal entity	Shareholding percentage (%)		Way of acquisition
						Direct	Indirect	
Tiantun Supply Chain	12,000,000.00	Kuitun City, Xinjiang	Kuitun City, Xinjiang	Manufacturing	Limited liability company	100.00		Establishment
Akesu Tianye	40,000,000.00	Akesu City, Xinjiang	Akesu City, Xinjiang	Manufacturing	Limited liability company	100.00		Establishment
Tiancheng Water Saving	27,100,000.00	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	Limited liability company	70.00		Establishment
Liaoning Tianye	10,000,000.00	Tieling City, Liaoning	Tieling City, Liaoning	Manufacturing	Limited liability company	100.00		Establishment
Gansu Tianye	78,550,000.00	Zhangye City, Gansu	Zhangye City, Gansu	Manufacturing	Limited liability company	100.00		Establishment
Nanjiang Water Saving	20,000,000.00	Tumshuq, Xinjiang	Tumshuq, Xinjiang	Manufacturing	Limited liability company	100.00		Establishment
Wisdom Agriculture	5,000,000.00	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	Other limited liability company	100.00		Establishment
Zhongxinnong Water Saving	10,000,000.00	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	Other limited liability company	59.00		Establishment
Henan Tianye	20,000,000.00	Zhoukou, Henan	Zhoukou, Henan	Manufacturing	Other limited liability company	51.00		Establishment
Tianfu Ecological	15,000,000.00	Fuxin, Liaoning	Fuxin, Liaoning	Manufacturing	Limited liability company	51.00		Establishment
Modern Agricultural	20,000,000.00	Hetian County, Xinjiang	Hetian County, Xinjiang	Manufacturing	Limited liability company	100.00		Establishment
Xiyou Water Conservancy	13,000,000.00	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	Limited liability company	100.00		Business combination under non-common control
Xiying Water Saving	10,000,000.00	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	Limited liability company	100.00		Business combination under non-common control
Hongrui Huixin	9,100,000.00	Urumqi, Xinjiang	Urumqi, Xinjiang	Trade	Limited liability company	34.06		Business combination under non-common control
Silu Tianyang	25,000,000.00	Shihezi, Xinjiang	Shihezi, Xinjiang	Manufacturing	Other limited liability company	51.00		Business combination under common control
Beijing Tianye	50,010,000.00	Changping District, Beijing	Changping District, Beijing	Manufacturing	Limited liability company	100.00		Business combination under common control

Note: The Company holds 34.06% equity interests in Hongrui Huixin, and entered into the concerted action agreement with Deng Hongwen, who has 32.97% of the equity interests. Such agreement determines that Deng Hongwen would maintain concerted relation with the Company in the resolution of shareholders' meetings and board meetings. Since the Company can control material financial and operation decisions of Hongrui Huixin and acquire interests from the operating activities of Hongrui Huixin, Hongrui Huixin is included in the scope of combination.

VIII. INTERESTS IN OTHER ENTITIES (continued)**(I) Interests in subsidiaries** (continued)**2. Important non-wholly-owned subsidiaries**

Name of subsidiary	Shareholding percentage of minority interest	Profit or loss attributable to minority interest for the period	Distribution of dividend declared to minority interest for the period	Closing balance of minority interest
Zhongxinnong				
Water Saving	41.00%	91,944.92		8,949,426.81
Tianfu				
Ecological	49.00%	243,815.42		5,254,277.34
Hongrui Huixin	65.94%	903,376.21		11,341,087.16
Tiancheng				
Water Saving	30.00%	-861,715.14		-7,091,949.96
Silu Tianyang	49.00%	4,793.19		13,540,155.42

3. Key financial information of the important non-wholly-owned subsidiaries

Name of subsidiary	Closing balance						Closing balance at the end of last year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Zhongxinnong												
Water												
Saving	25,016,245.59	133,844.56	25,150,090.15	3,216,094.12	106,125.76	3,322,219.88	26,972,997.12	90,390.61	27,063,387.73	5,353,647.60	106,125.76	5,459,773.36
Tianfu Ecological	63,058,258.85	567,715.25	63,625,974.10	52,902,959.12		52,902,959.12	51,656,565.17	2,124,917.09	53,781,482.26	43,363,804.32	192,245.45	43,556,049.77
Hongrui Huixin	43,343,626.32	565,029.90	43,908,656.22	26,487,474.87	222,080.41	26,709,555.28	47,199,664.00	187,221.95	47,386,885.95	31,557,782.30		31,557,782.30
Tiancheng Water												
Saving	5,777,090.82	17,741,124.79	23,518,215.61	47,158,048.81		47,158,048.81	8,841,928.06	19,267,120.60	28,109,048.66	48,858,498.07	18,000.00	48,876,498.07
Silu Tianyang	25,459,474.29	18,708,187.20	44,167,661.49	16,534,691.23		16,534,691.23	30,101,726.48	18,118,094.17	48,219,820.65	20,596,632.42		20,596,632.42

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VIII. INTERESTS IN OTHER ENTITIES (continued)**(I) Interests in subsidiaries** (continued)**3. Key financial information of the important non-wholly-owned subsidiaries**
(continued)

Name of subsidiary	Current period				Previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Zhongxinong Water Saving	1,406,224.21	224,255.90	224,255.90	-35,678.06		5,306,580.23	5,306,580.23	613,021.28
Tianfu Ecological	56,599,483.30	497,582.49	497,582.49	-5,508,585.85	-9,915,572.24	-5,942,823.32	-5,942,823.32	12,391,599.26
Hongrui Huixin	229,406,359.69	1,369,997.29	1,369,997.29	-2,693,297.94	520,858,212.38	294,191.95	294,191.95	-315,957.11
Tiancheng Water Saving	1,808,853.33	-2,872,383.79	-2,872,383.79	-30,642.71	1,339,662.24	-5,427,039.07	-5,427,039.07	
Silu Tianyang	20,972,463.23	9,782.03	9,782.03	3,058,567.05	23,835,738.01	-5,402,011.32	-5,402,011.32	3,080,948.72

(II) Interests in joint venture arrangement or associates**1. Key joint ventures or associates**

Name of joint venture or associate	Place of principal operation	Place of registration	Nature of business	Shareholding percentage (%)		Accounting treatment method on investment in joint venture or associate	Whether it is strategic to the operation of the Company
				Direct	Indirect		
Jianshui Runnong Water Supply Co., Ltd.	Honghe Hani Yi Autonomous Prefecture, Yunnan Province	Honghe Hani Yi Autonomous Prefecture, Yunnan Province	Manufacturing	28.00	Accounting by the equity method	Accounting by the equity method	Yes

VIII. INTERESTS IN OTHER ENTITIES *(continued)***(II) Interests in joint venture arrangement or associates** *(continued)***2. Key financial information of important associates**

	Closing balance/ current period Jianshui Runnong Water Supply Co., Ltd.	Closing balance at the end of last year/ previous period Jianshui Runnong Water Supply Co., Ltd.
Current assets	7,775,769.82	8,287,866.72
Non-current assets	56,975,159.13	60,552,491.13
Total assets	64,750,928.95	68,840,357.85
Current liabilities	40,283,798.57	40,511,646.40
Non-current liabilities	26,216,060.00	27,849,188.00
Total liabilities	66,499,858.57	68,360,834.40
Minority interest		
Owners' equity attributable to the parent company	-1,748,929.62	479,523.45
Net assets calculated pro rata in shareholding	-489,700.29	134,266.57
Adjusting events		
— Goodwill		
— Unrealized profit from internal transactions		
— Others		
Carrying amount of investment in associates		134,266.57
Fair value of investment in associates with public offer		
Operating income	3,863.21	3,863.21
Net profit	-2,228,453.07	-2,233,760.74
Net profit for discontinued operations		
Other comprehensive income		
Total comprehensive income	-2,228,453.07	-2,233,760.74
Dividend from associates for the period		

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IX. GOVERNMENT GRANTS

(I) Types, amounts and presented items of government grants

1. Government projects included in the profit or loss for the period

Item presented in the balance sheet	Amount of government grants	Amounts included in the profit or loss for the period or offset against related costs, expenses and losses		Items included in the profit or loss for the period or offset against related costs, expenses and losses
		Current period	Previous period	
Related to assets	892,741.56	892,741.56	1,981,236.03	Other income
Related to income	10,406,467.57	10,406,467.57	9,769,963.46	Other income
Total	11,299,209.13	11,299,209.13	11,751,199.49	

2. Government grants related to liability items

Liability item	Closing balance at the end of last year	Amount of new grants for the period	Amount of non-operating income		Amount returned for the period	Other changes	Closing balance	Relating to assets/ relating to income
			included for the period	other income transferred-in for the period				
Deferred income – relating to assets	4,902,110.90			892,741.56			4,009,369.34	Relating to assets
Deferred income – relating to income	8,541,534.41	23,616,300.00		8,863,504.08		-910,000.00	22,384,330.33	Relating to income
Total deferred income	13,443,645.31	23,616,300.00		9,756,245.64		-910,000.00	26,393,699.67	

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

(I) Various risks arising from financial instruments

The Company is exposed to various financial risks in its operations: credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risk). The above financial risks and the risk management policies adopted by the Company to reduce such risks are as follows:

The Board is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies clearly stipulate specific risks, covering market risk, credit risk and liquidity risk management. The Company regularly evaluates changes in the market environment and the Company's business activities to determine whether to update the risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with the policies approved by the Board. The Risk Management Committee identifies, evaluates and avoids relevant risks through close cooperation with other business departments of the Company. The internal audit department of the Company conducts regular audits on risk management controls and procedures and reports the audit results to the Audit Committee of the Company.

The Company diversifies the risk of financial instruments by appropriately diversifying its investment and business portfolio, and reduces the risk of concentration on a single industry, specific region or specific counterparty by formulating corresponding risk management policies.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

(I) Various risks arising from financial instruments *(continued)*

1. Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

The Company's credit risk mainly arises from cash, bill receivables, trade receivables, receivables financing, contract assets, other receivables, debt investments, other debt investments and financial guarantee contracts, as well as debt instrument investments and derivative financial assets measured at FVTPL that are not included in the scope of impairment assessment.

The Company's cash are mainly bank deposits placed with state-owned banks and other large and medium-sized listed banks with good reputation and high credit ratings. The Company believes that there is no significant credit risk and will almost not suffer from significant losses due to bank defaults.

In addition, for bill receivables, trade receivables, receivables financing, contract assets and other receivables, the Company sets relevant policies to control credit risk exposure. The Company assesses the credit quality of customers and sets corresponding credit periods based on their financial position, the possibility of obtaining guarantees from third parties, their credit history and other factors such as current market conditions. The Company regularly monitors the credit records of customers. For customers with poor credit history, the Company will use written payment reminders, shorten or cancel credit periods to ensure that the Company's overall credit risk is within control.

As the Company's risk in respect of trade receivables are distributed among a large number of counterparties and customers, as of 31st December, 2025, 31.16% (31st December, 2024: 29.26%) of the Company's trade receivables were derived from the five largest customers, and the Company did not have material concentrated credit risk.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)***(I) Various risks arising from financial instruments** *(continued)***2. Liquidity risk**

Liquidity risk is the risk that an enterprise may encounter shortage of funds in fulfilling its obligations to settle in cash or other financial assets.

The Company's policy is to ensure that it has sufficient cash to meet its liabilities as they fall due. Liquidity risk is centrally controlled by the finance department of the Company. The finance department monitors cash balances, readily realizable marketable securities and rolling forecasts of cash flows for the next 12 months to ensure that the Company has sufficient funds to repay its debts under all reasonable forecasts. At the same time, the Company continuously monitors whether it complies with the requirements of the loan agreement and obtains commitments from major financial institutions to provide sufficient standby funds to meet the short-term and long-term capital needs.

The undiscounted contractual cash flows of the Company's financial liabilities by maturity date are as follows:

Item	Closing balance			Total undiscounted contract amount	Carrying amount
	Within 1 year	1-3 years	Over 3 years		
Short-term borrowings	20,481,000.00			20,481,000.00	20,014,608.90
Trade payables	403,815,447.02			403,815,447.02	403,815,447.02
Other payables	44,616,636.53			44,616,636.53	44,616,636.53
Non-current liabilities due within one year	54,501,767.79			54,501,767.79	53,034,776.68
Lease liabilities		9,093,974.04	44,428,411.79	53,522,385.83	44,215,941.60
Total	523,414,851.34	9,093,974.04	44,428,411.79	576,937,237.17	565,697,410.73

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X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)***(I) Various risks arising from financial instruments** *(continued)***2. Liquidity risk** *(continued)*

Item	Closing balance at the end of last year			Total undiscounted contract amount	Carrying amount
	Within 1 year	1-3 years	Over 3 years		
Short-term borrowings	15,521,913.10			15,521,913.10	14,991,773.02
Bill payables					
Trade payables	452,530,564.05			452,530,564.05	452,530,564.05
Other payables	47,678,873.20			47,678,873.20	47,678,873.20
Non-current liabilities due within one year	5,374,100.33			5,374,100.33	3,828,729.32
Lease liabilities		8,129,114.42	47,926,737.20	56,055,851.62	43,533,204.43
Long-term borrowings		51,471,850.00		51,471,850.00	49,900,000.00
Total	521,105,450.68	59,600,964.42	47,926,737.20	628,633,152.30	612,463,144.02

3. Market Risk

Market risk of financial instruments refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices, including exchange rate risk, interest rate risk and other price risk.

X. RISKS RELATED TO FINANCIAL INSTRUMENTS *(continued)*

(I) Various risks arising from financial instruments *(continued)*

3. Market Risk *(continued)*

(1) Interest rate risk

Interest rate risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in market rates.

Interest-bearing financial instruments with fixed interest rates and floating interest rates expose the Company to fair value interest rate risk and cash flow interest rate risk, respectively. The Company determines the ratio of fixed-rate and floating-rate instruments according to the market environment, and maintains an appropriate portfolio of instruments with fixed and floating interest rates through regular review and monitoring. When necessary, the Company will use interest rate swap instruments to hedge against interest rate risk.

As at 31st December, 2025, the Company had bank borrowings of RMB0.00 (31st December, 2024: RMB0.00) at a floating interest rate, and a 50 base point change in interest rates, with all other variables held constant, will not have any significant impact on total profit and shareholders' equity of the Company.

(2) Exchange rate risk

Exchange rate risk refers to the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in exchange rate.

The Company operates in Mainland China, and its activities are mainly denominated in RMB. Therefore, the Company's exposure to market risk of changes in exchange rate is insignificant.

(3) Other price risk

Other price risk refers to the risks of fluctuation in the fair value or future cash flows of financial instruments due to changes in market prices other than exchange rate risk and interest rate risk.

XI. DISCLOSURE OF FAIR VALUE

The inputs used in the fair value measurement are divided into three levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs, other than those included within Level 1, that are observable for the relevant asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the relevant asset or liability.

The level of fair value measurement results is determined by the lowest level of input value that is significant to the fair value measurement as a whole.

(I) Fair values of assets and liabilities measured at fair value, at the end of the period

Item	Fair value at the end of the period			Total
	Fair value	Fair value	Fair value	
	measured at level 1	measured at level 2	measured at level 3	
I. Recurring fair value measurement				
◆ Receivables financing		2,721,813.94		2,721,813.94
Total assets measured at fair value on a recurring basis		2,721,813.94		2,721,813.94

(II) Basis for determining the market price of items of level 1 fair value at recurring and non-recurring fair measurement

The Company adopts the present value of cash flow method to determine the fair value of receivables financing, and the fair value is approximate to the book value.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(I) Information on Parent Company of the Company

Name of Parent Company	Place of registration	Nature of business	Registered capital (RMB in ten thousand)	Shareholding percentage of the Parent Company in the Company (%)	Percentage of voting rights of the Parent Company in the Company (%)
Tianze Water Investment	Shihezi, Xinjiang, PRC	Water conservancy management	80,000.00	60.42	60.42

Note: The ultimate controlling party of the Company is Tianye Group.

(II) Information on subsidiaries of the Company

For details of the subsidiaries of the Company, please refer to “VIII. INTERESTS IN OTHER ENTITIES” of these notes.

(III) Information on joint ventures and associates of the Company

For details of important joint ventures or associates of the Company, please refer to “VIII. INTERESTS IN OTHER ENTITIES” of these notes.

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(IV) Information on other related parties**

Name of other related parties	Relationship between other related parties and the Company
Xinjiang Tianyu Agricultural Science Modern Agricultural Industrialization Development Co., Ltd.* (新疆天域農科現代農業產業化發展有限公司)	Under the same parent company
Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	Under the same parent company
Xinjiang Western Agricultural Material Logistics Co., Ltd.* (新疆西部農資物流有限公司)	Under the same parent company
Xinjiang Tianye Ecological Technology Company Limited	Under the same parent company
Xinjiang Tianye Company Limited	Under the same parent company
Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司)	Under the same parent company
Xinjiang Tianye Huihe New Materials Co., Ltd.*	Under the same parent company
Xinjiang Huiding Logistics Co., Ltd.* (新疆匯鼎物流有限公司)	Under the same parent company
Xinjiang Tianye Huixiang New Materials Co., Ltd.*	Under the same parent company
Xinjiang Tianye (Group) Mining Co., Ltd.*	Under the same parent company
Xinjiang Tianchuang Technology Co., Ltd.* (新疆天創科技有限責任公司)	Under the same parent company
Tianbo Chenye Mining Co., Ltd.* (天博辰業礦業有限公司)	Under the same parent company
Xinjiang Western Products Trade Co., Ltd.* (新疆西部物產貿易有限公司)	Under the same parent company
Xinjiang Huiye Intelligent Technology Co., Ltd.* (新疆匯業智能科技有限公司)	Under the same parent company
Xinjiang Bingtian Lvcheng Inspection Co., Ltd.*	Under the same parent company

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(IV) Information on other related parties** *(continued)*

Name of other related parties	Relationship between other related parties and the Company
Xinjiang Tianhe Yida Investment Co., Ltd.* (新疆天合意達投資有限公司)	Under the same parent company
Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司)	Under the same parent company
Xinjiang Tianyu Huitong Trading Co., Ltd.* (新疆天域匯通商貿有限公司)	Under the same parent company
Tianneng Chemical Co., Ltd.*	Under the same ultimate controlling party
Tianwei Chemical Co., Ltd.*	Under the same ultimate controlling party
Tianchen Chemical Co., Ltd.*	Under the same ultimate controlling party
Tianwei Cement Co., Ltd.*	Under the same ultimate controlling party
Shihezi Xinyuan Highway Transportation Co., Ltd.*	Under the same ultimate controlling party
Xinjiang Tianyu New Technology & New Materials Co., Ltd.* (新疆天域新科新材料有限公司)	Under the same ultimate controlling party
Beijing Tianye Oasis Technology Development Co., Ltd.* (北京天業綠洲科技發展有限公司)	Under the same ultimate controlling party
Shihezi Tianyu Xinshi Chemical Co., Ltd.*	Under the same ultimate controlling party
Xinjiang Tianyu Products Co., Ltd.* (新疆天域物產有限公司)	Under the same ultimate controlling party

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(IV) Information on other related parties** *(continued)*

Name of other related parties	Relationship between other related parties and the Company
Xinjiang Zejin Supply Chain Management Co., Ltd.* (新疆澤錦供應鏈管理有限公司)	Under the same ultimate controlling party
Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.* (新疆澤泓水利運維管理有限公司)	Under the same ultimate controlling party
Xinjiang Tianze Heda Water Technology Co., Ltd.* (新疆天澤和達水務科技有限公司)	Under the same ultimate controlling party
Xinjiang Tianze Engineering Management Co., Ltd.* (新疆天澤工程管理有限公司)	Under the same ultimate controlling party
Xinjiang Tianyu Energy Management Co., Ltd.* (新疆天域能源管理有限公司)	Under the same ultimate controlling party
Xinjiang Tianye Safety Science Research Co., Ltd.* (新疆天業安全科學研究有限公司)	Under the same ultimate controlling party
Xinjiang Bingneng Coal Industry Co., Ltd.* (新疆兵能煤業有限責任公司)	Under the same ultimate controlling party
Xinjiang Tianbohui Technology Service Co., Ltd.* (新疆天鉢慧科技服務有限公司)	Under the same ultimate controlling party
Xinjiang Yunjutian New Materials Co., Ltd.* (新疆雲聚天新材料有限公司)	Under the same ultimate controlling party
Xinjiang Sanli Construction Co., Ltd.* (新疆三利建築有限責任公司)	Minority shareholders of subsidiaries last year
Deng Hongwen (鄧紅文)	Minority shareholders of subsidiaries
Gou Xiaoyun (苟筱芸)	Minority shareholders of subsidiaries
Deng Ziyue (鄧梓玥)	Close relative of minority shareholders of subsidiaries
Li Yang (李陽)	Close relative of minority shareholders of subsidiaries

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions****1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services***Purchase of goods/receipt of services*

Related parties	Information on related party transactions	Current period	Previous period
Xinjiang Tianye Company Limited	Purchase of goods	57,147,635.22	60,901,347.27
Xinjiang Zejin Supply Chain Management Co., Ltd. (新疆澤錦供應鏈管理有限公司)	Purchase of goods	49,638,233.57	
Xinjiang Tianyu New Technology & New Materials Co., Ltd.* (新疆天域新科新材料有限公司)	Purchase of goods	11,041,380.53	60,373,605.00
Xinjiang Tianchuang Technology Co., Ltd.* (新疆天創科技有限責任公司)	Purchase of goods, receipt of services	7,759,400.51	7,145,497.20
Xinjiang Western Agricultural Material Logistics Co., Ltd.*	Purchase of goods, receipt of services	3,668,343.98	3,956,067.00
Shihezi Xinyuan Highway Transportation Co., Ltd.*	Purchase of goods, receipt of services	1,072,950.97	3,135,207.26
Tianze Water Investment	Receipt of services	1,088,485.05	
Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.* (新疆至臻化工工程研究中心有限公司)	Purchase of goods	939,424.78	1,372,500.00
Tianchen Chemical Co., Ltd.*	Purchase of goods, receipt of services	661,484.01	2,092,445.75
Xinjiang Tianye (Group) Limited	Purchase of goods, receipt of services	461,534.83	1,067,888.51
Xinjiang Western Products Trade Co., Ltd.*	Purchase of goods	407,079.65	1,005,750.00
Xinjiang Bingtian Lvcheng Inspection Co., Ltd.*	Receipt of services	318,057.55	336,387.00
Xinjiang Tianyu Energy Management Co., Ltd.*	Purchase of goods	140,448.00	
Xinjiang Tianye Safety Science Research Co., Ltd.*	Receipt of services	100,622.88	
Xinjiang Tianye Huihe New Materials Co., Ltd.* (新疆天業匯合新材料有限公司)	Purchase of goods	70,810.98	98,714.19
Xinjiang Tianye Education Technology Co., Ltd.* (新疆天業教育科技有限公司)	Receipt of services	55,302.83	40,898.00
Xinjiang Tianze Engineering Management Co., Ltd.*	Receipt of services	49,827.42	
Xinjiang Tianye Ecological Technology Company Limited	Purchase of goods	42,836.14	30,490.08
Tianneng Chemical Co., Ltd.*	Purchase of goods	39,249.30	86,389.44
Xinjiang Huihe Intelligent Technology Co., Ltd.*	Receipt of services	38,300.00	261,510.00
Xinjiang Tianhe Yida Investment Co., Ltd.*	Receipt of services	9,196.00	420,784.88

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(V) Information on related party transactions** *(continued)***1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services** *(continued)**Purchase of goods/receipt of services (continued)*

Related parties	Information on related party transactions	Current period	Previous period
Xinjiang Tianyu Products Co., Ltd.*	Purchase of goods	3,607.08	
Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.*	Receipt of services	3,262.02	
Tianwei Cement Co., Ltd.*	Purchase of goods	20.00	
Xinjiang Tianyu Huitong Trading Co., Ltd.*	Purchase of goods		75,825.00
Xinjiang Sanli Construction Co., Ltd.*	Purchase of assets		1.00

Sales of goods/rendering of services

Related parties	Information on related party transactions	Current period	Previous period
Tianze Water Investment	Rendering of services	101,299,799.10	
Xinjiang Tianyu Agricultural Science Modern Agricultural Industrialization Development Co., Ltd.*	Sale of goods, rendering of services	41,686,035.62	175,385,873.64
Xinjiang Tianzhicheny Chemical Co., Ltd.*	Sale of goods, rendering of services	29,270,555.17	9,609,125.40
Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.*	Rendering of services	10,433,723.28	

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions** (continued)**1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services** (continued)*Sales of goods/rendering of services (continued)*

Related parties	Information on related party transactions	Current period	Previous period
Xinjiang Bingneng Coal Industry Co., Ltd.*	Rendering of services	9,326,272.48	
Xinjiang Zejin Supply Chain Management Co., Ltd.*	Sale of goods	8,794,511.81	
Xinjiang Tianye Ecosystem Technology Co., Ltd.* (新疆天業生態科技有限公司)	Sale of goods, rendering of services	5,857,110.30	27,864.74
Xinjiang Tianye (Group) Limited	Sale of goods, rendering of services	5,188,619.95	3,905,377.15
Tianneng Chemical Co., Ltd.*	Sale of goods, rendering of services	4,174,867.25	3,888,185.10
Tianchen Chemical Co., Ltd.*	Sale of goods, rendering of services	3,154,788.45	3,502,582.42
Xinjiang Tianye Company Limited*	Sale of goods, rendering of services	3,033,915.47	2,113,024.23
Tianwei Chemical Co., Ltd.*	Sale of goods, rendering of services	1,575,477.89	3,952,138.79
Xinjiang Tianchuang Technology Co., Ltd.*	Sale of goods, rendering of services	623,297.22	454,120.07
Xinjiang Tianye Education Technology Co., Ltd.*	Rendering of services	399,170.19	384,425.65
Xinjiang Tianyu Huitong Trading Co., Ltd.*	Sale of goods	169,308.50	451.36
Xinjiang Tianbohui Technology Service Co., Ltd.*	Sale of goods	114,176.11	
Xinjiang Tianze Heda Water Technology Co., Ltd.*	Rendering of services	63,218.66	
Xinjiang Western Agricultural Material Logistics Co., Ltd.*	Rendering of services	38,206.00	10,406,974.55

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions** (continued)**1. Related party transactions regarding purchase and sale of goods and rendering and receipt of services** (continued)*Sales of goods/rendering of services (continued)*

Related parties	Information on related party transactions	Current period	Previous period
Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.*	Sale of goods, rendering of services	24,767.30	14,499.42
Xinjiang Tianye Group Mining Co., Ltd.* (新疆天業集團礦業有限公司)	Sale of goods	5,641.59	31,535.14
Xinjiang Yunjutian New Materials Co., Ltd.* (新疆云聚天新材料有限公司)	Sale of goods	4,190.29	
Shihezi Tianyu Xinshi Chemical Co., Ltd.*	Rendering of services	391.51	23.58
Xinjiang Sanli Construction Co., Ltd.*	Sale of assets	1.00	
Xinjiang Tianye Huihe New Materials Co., Ltd.*	Sale of goods		343,787.42
Xinjiang Huiding Logistics Co., Ltd.*	Sale of goods		100,302.21
Tianbo Chenye Mining Co., Ltd.*	Sale of goods		29,091.28
Shihezi Xinyuan Highway Transportation Co., Ltd.* (石河子鑫源公路運輸有限公司)	Sale of goods		2,990.29
Xinjiang Tianyu Products Co., Ltd.*	Sale of goods		763.53

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions (continued)****2. Information on related party leases**

The Company as a lessee:

Name of lessor	Type of leased assets	Current period					Previous period				
		Rental expenses for short-term leases and leases of low-value assets with simplified treatment	Variable lease payments not included in the measurement of lease liabilities	Interest expenses on lease liabilities assumed	Additions to right-of-use assets	Rent paid	Rental expenses for short-term leases and leases of low-value assets with simplified treatment	Variable lease payments not included in the measurement of lease liabilities	Interest expenses on lease liabilities assumed	Additions to right-of-use assets	Rent paid
Deng Hongwen (鄧紅文)	Buildings and construction			5,092.25	438,692.82	150,000.00			8,288.47		150,000.00
Xinjiang Tianye Company Limited	Buildings and construction			17,659.52	767,628.60	280,000.00			7,474.20		258,642.97
Xinjiang Tianye (Group) Limited	Buildings and construction			13,330.63	800,384.48	302,610.00			9,457.23		277,623.85
Shhezi Xinyuan Highway Transportation Co., Ltd.*	Transportation			18,602.80	910,820.97	159,100.00			5,051.99		36,106.20
										333,659.94	

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)**(V) Information on related party transactions** (continued)**3. Information on related party guarantee**

The Company as a guaranteed party:

Guarantor	Amount of guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fulfilled
Xinjiang Tianye (Group) Limited	50,000,000.00	2024/6/24	2026/4/1	No

4. Borrowings from related parties

Related party	Amount of borrowings	Commencement date	Expiry date	Note
Borrowings from Deng Hongwen (鄧紅文)	2,253,237.50	No fixed term	No fixed term	
Deng Ziyue (鄧梓玥)	500,000.00	No fixed term	No fixed term	
Gou Xiaoyun (苟筱芸)	200,000.00	No fixed term	No fixed term	
Li Yang (李陽)	100,000.00	No fixed term	No fixed term	

Note: Interest expense of RMB331,500 was generated from borrowings from related parties during the year.

5. Remuneration of key management personnel

Item	Current period	Previous period
Remuneration of key management personnel	2,180,961.27	2,133,197.14

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions** (continued)**6. Remuneration of Directors and Supervisors**

Item	Current period					Total
	Salary, allowance, and subsidy	Performance-based bonus	Housing provident fund	Old age pension	Other social security insurance	
Executive Directors:						
Zhou Gang	169,460.04	39,823.96	38,028.00	81,059.16	23,604.00	351,975.16
Jiang Dayong						
Li Zheng						
Wang Dongwei						
Han Gen						
Executive president:						
Yang Wan Sen						
Independent non-executive Directors						
Li Lianjun	15,000.00					15,000.00
He Xinlin	30,000.00					30,000.00
Gu Li	30,000.00					30,000.00
Hung Ee Tek	55,084.44					55,084.44
Supervisors:						
Xie Xinghui	15,000.00					15,000.00
Chen Ming	71,800.08	38,199.84	24,672.00	58,233.85	8,478.00	201,383.77
Chen Cailai						
Total	386,344.56	78,023.80	62,700.00	139,293.01	32,082.00	698,443.37

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions** (continued)**6. Remuneration of Directors and Supervisors** (continued)

Item	Salary, allowance, and subsidy	Performance- based bonus	Corresponding period last year			Total
			Housing provident fund	Old age pension	Other social security insurance	
Executive Directors:						
Zhou Gang	181,440.04	113,548.92	37,956.00	80,334.24	23,112.00	436,391.20
Jiang Dayong						
Han Gen						
Executive president:						
Yang Wan Sen	171,499.33	120,234.12	30,162.00	70,579.80	20,316.00	412,791.25
Independent non-executive Directors:						
Li Lianjun	30,000.00					30,000.00
He Xinlin	30,000.00					30,000.00
Gu Li	30,000.00					30,000.00
Hung Ee Tek	47,911.20					47,911.20
Supervisors:						
Xie Xinghui	30,000.00					30,000.00
Chen Ming	140,000.16	71,911.93	26,874.00	55,411.08	15,948.00	310,145.17
Chen Cailai						
Total	660,850.73	305,694.97	94,992.00	206,325.12	59,376.00	1,327,238.82

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(V) Information on related party transactions** *(continued)***6. Remuneration of Directors and Supervisors** *(continued)*

Note 1: The remuneration and retirement benefits of Han Gen, Jiang Dayong, Chen Cailai, Li Zheng and Wang Dongwei were paid by Tianye Group, and the Company was not required to reimburse the remuneration and retirement benefits paid by Tianye Group;

Note 2: In June 2025, the Company abolished the Supervisory Committee;

Note 3: Upon the change of session of Directors in the general meeting in June 2025, Han Gen ceased to be an executive Director, and Li Zheng and Wang Dongwei were newly appointed as the executive Directors;

Note 4: No Directors or Supervisors of the Company waived any emoluments and no emoluments were paid by the Company to the Directors or Supervisors of the Company as an inducement to join or upon joining the Company or as compensation for loss of office.

7. Five highest paid employees

Of the five highest paid employees during the year, 1 (2024: 1) was Director. The remunerations of the remaining 4 (2024: 4) employees who are not Directors are set out below:

Item	Current period	Corresponding period last year
Salary, bonus, allowance and subsidy	1,250,087.20	1,438,530.16
Housing provident fund	121,398.00	116,220.00
Old age pension	279,826.10	265,532.52
Other social security insurance	52,536.00	76,416.00
Total	1,703,847.30	1,896,698.68

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(V) Information on related party transactions** (continued)**7. Five highest paid employees** (continued)

The remunerations of 4 (2024: 4) employees who are not Directors were within the following bands:

Item	Individuals of current period	Individuals of corresponding period last year
HK\$0 to HK\$1,000,000	4	4

(VI) Outstanding item receivables and payables of related parties**1. Item receivables**

Name of item	Related party	Closing balance		Closing balance at the end of last year	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Trade receivables	Xinjiang Tianyu Agricultural Science Modern Agricultural Industrialization Development Co., Ltd.*	37,158,872.10		38,813,894.33	
	Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.*	11,300,051.35			
	Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	4,644,116.97		683,207.34	
	Xinjiang Tianye Ecological Technology Company Limited	6,225,691.55		7,677,414.55	
	Tianze Water Investment	3,367,440.98			
	Xinjiang Zejin Supply Chain Management Co., Ltd.*	1,101,932.94			
	Tianchen Chemical Co., Ltd.*	906,961.14		383,267.88	
	Tianneng Chemical Co., Ltd.*	523,599.96		1,649,657.50	

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(VI) Outstanding item receivables and payables of related parties** (continued)**1. Item receivables** (continued)

Name of item	Related party	Closing balance		Closing balance at the end of last year	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
	Xinjiang Tianye Company Limited	470,409.82		523,809.52	
	Xinjiang Tianye (Group) Limited	80,119.38			
	Xinjiang Western Agricultural Material Logistics Co., Ltd.*	25,408.81		2,069,802.58	
	Xinjiang Tianye Huihe New Materials Co., Ltd.*	22,500.00		294,243.10	
	Tianwei Chemical Co., Ltd.			671,714.80	
	Xinjiang Tianye Education Technology Co., Ltd.*			434,400.99	
	Xinjiang Huiding Logistics Co., Ltd.*			113,341.50	
	Xinjiang Tianye Huixiang New Materials Co., Ltd.*			37,000.00	
	Xinjiang Tianye (Group) Mining Co, Ltd*			35,634.71	
Sub-total		65,827,105.00		53,387,388.80	

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(VI) Outstanding item receivables and payables of related parties** (continued)**1. Item receivables** (continued)

Name of item	Related party	Closing balance		Closing balance at the end of last year	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Prepayments	Xinjiang Tianye Company Limited	53,531,128.10		26,515,964.90	
	Xinjiang Tianyu New Technology & New Materials Co., Ltd.*			9,540,699.13	
	Xinjiang Western Products Trade Co., Ltd.*			460,000.00	
	Deng Hongwen (鄧紅文)			75,000.00	
Sub-total		53,531,128.10		36,591,664.03	
Other receivables	Beijing Tianye Oasis Technology Development Co., Ltd.*	10,000.00		10,000.00	
	Xinjiang Tianye Company Limited*	9,500.00			
	Xinjiang Western Agricultural Material Logistics Co., Ltd.*	5,000.00		5,000.00	
	Xinjiang Sanli Construction Co., Ltd.*			13,580.00	407.40
Sub-total		24,500.00		28,580.00	407.40

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(VI) Outstanding item receivables and payables of related parties** *(continued)***1. Item receivables** *(continued)*

Name of item	Related party	Closing balance		Closing balance at the end of last year	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Contract assets	Tianze Water Investment	27,496,752.58			
	Xinjiang Tianzhichenye Chemical Co., Ltd.*	1,615,397.46			
	Xinjiang Tianyu Agricultural Science Modern Agricultural Industrialization Development Co., Ltd.*	713,116.66		2,107,615.47	
	Xinjiang Tianye Company Limited	166,545.03		1,262,918.42	
	Tianwei Chemical Co., Ltd.*	31,668.90			
	Tianneng Chemical Co., Ltd.*	26,102.08			
	Xinjiang Tianze Heda Water Technology Co., Ltd.	25,674.45			
	Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.*	7,592.84			
Sub-total		30,082,850.00		3,370,533.89	

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(VI) Outstanding item receivables and payables of related parties** (continued)**2. Item payables**

Name of item		Closing book balance	Closing book balance of the previous year
	Related party		
Trade payables	Xinjiang Tianye (Group) Limited	54,419,840.70	61,286,084.43
	Xinjiang Zejin Supply Chain Management Co., Ltd.*	41,373,482.82	
	Xinjiang Tianye Company Limited	11,642,629.14	15,857,168.31
	Tianchen Chemical Co., Ltd.*	992,306.00	1,171,206.00
	Shihezi Xinyuan Highway Transportation Co., Ltd.*	707,981.27	85,165.39
	Xinjiang Western Agricultural Material Logistics Co., Ltd.*	702,852.20	2,779,866.35
	Xinjiang Zhizhen Chemical Engineering Research Center Co., Ltd.*	487,690.26	
	Xinjiang Western Products Trade Co., Ltd.*	227,859.28	
	Xinjiang Tianchuang Technology Co., Ltd.*	203,907.00	432,251.00

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(VI) Outstanding item receivables and payables of related parties** *(continued)***2. Item payables** *(continued)*

Name of item	Related party	Closing book balance	Closing book balance of the previous year
	Xinjiang Huiye Intelligent Technology Co., Ltd.*	105,712.90	220,327.70
	Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.*	3,457.74	
	Tianneng Chemical Co., Ltd.*	1,058.45	
	Xinjiang Tianye Education Technology Co., Ltd.*		6,284.00
	Xinjing Bingtian Lvcheng Inspection Co., Ltd.*		5,263.00
Sub-total		110,868,777.76	81,843,616.18

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(VI) Outstanding item receivables and payables of related parties** (continued)**2. Item payables** (continued)

Name of item		Closing book balance	Closing book balance of the previous year
	Related party		
Other payables	Deng Hongwen (鄧紅文)	2,253,237.50	5,605,081.06
	Deng Ziyue (鄧梓玥)	500,000.00	500,000.00
	Gou Xiaoyun (苟筱芸)	200,000.00	200,000.00
	Li Yang (李陽)	100,000.00	100,000.00
	Xinjiang Western Agricultural Material Logistics Co., Ltd.*	100,000.00	100,000.00
	Shihezi Xinyuan Highway Transportation Co., Ltd.*	8,314.00	
	Xinjiang Tianye (Group) Limited	2,000.00	
	Xinjiang Tianhe Yida Investment Co., Ltd.*		475,486.92
	Tianneng Chemical Co., Ltd.*		6,000.00
	Xinjiang Tianye Ecological Technology Company Limited		6,000.00
	Xinjiang Sanli Construction Co., Ltd.*		1.00
Sub-total		3,163,551.50	6,992,568.98

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (continued)**(VI) Outstanding item receivables and payables of related parties** (continued)**2. Item payables** (continued)

Name of item	Related party	Closing book balance	Closing book balance of the previous year
Contract liabilities	Tianze Water Investment	58,143,666.31	
	Xinjiang Tianyu Agricultural Science Modern Agricultural Industrialization Development Co., Ltd.*	34,989,966.01	14,056,421.50
	Xinjiang Zehong Water Conservancy Operation and Maintenance Management Co., Ltd.*	10,307,908.74	
	Xinjiang Tianye (Group) Limited	8,327,502.53	4,433,107.37
	Xinjiang Tianzhi Chenye Chemical Co., Ltd.*	3,294,823.87	6,505,692.21
	Xinjiang Tianye Ecological Technology Company Limited	2,635,839.85	
	Tianneng Chemical Co., Ltd.*	1,021,992.23	1,732,967.11
	Xinjiang Tianye Huihe New Materials Co., Ltd.*	996,751.52	980,072.96
	Xinjiang Tianye Company Limited	317,160.61	11,372.62

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XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(VI) Outstanding item receivables and payables of related parties** *(continued)***2. Item payables** *(continued)*

Name of item	Related party	Closing book balance	Closing book balance of the previous year
	Tianwei Cement Co., Ltd.*	187,768.49	146,526.51
	Tianchen Chemical Co., Ltd.*	109,651.01	112,660.66
	Tianwei Chemical Co., Ltd.*	95,298.25	545,084.76
	Xinjiang Western Agricultural Material Logistics Co., Ltd.*	76,541.86	
	Xinjiang Tianze Heda Water Technology Co., Ltd.*	46,873.08	
	Xinjiang Tianye Education Technology Co., Ltd.*	40,175.46	398,533.02
Sub-total		120,591,919.82	28,922,438.72

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(continued)***(VI) Outstanding item receivables and payables of related parties** *(continued)***2. Item payables** *(continued)*

Name of item	Related party	Closing book balance	Closing book balance of the previous year
Non-current liabilities due within one year	Deng Hongwen (鄧紅文)	145,006.32	73,295.66
	Xinjiang Tianye Company Limited	255,814.18	
	Xinjiang Tianye (Group) Limited	264,435.60	91,780.01
	Shihezi Xinyuan Highway Transportation Co., Ltd.*	208,982.77	63,593.22
Sub-total		874,238.87	228,668.89
Lease liabilities	Deng Hongwen (鄧紅文)	222,080.41	
	Xinjiang Tianye Company Limited	518,621.45	
	Xinjiang Tianye (Group) Limited	363,435.67	
	Shihezi Xinyuan Highway Transportation Co., Ltd.*	1,025,607.46	239,012.49
Sub-total		2,129,744.99	239,012.49

XIII. COMMITMENTS AND CONTINGENCIES

(I) Significant commitments

As of 31st December, 2025, the Company applied to the bank for the issuance of performance guarantees and advance payment guarantees, with a total amount of RMB1,255,288.60.

(II) Contingencies

As of 31st December, 2025, the Company had no contingencies that are required to be disclosed.

XIV. POST BALANCE SHEET DATE EVENTS

(I) Dividend distribution

The Board does not recommend the payment of any dividend in respect of the year ended 31st December, 2025 (2024: Nil).

XV. OTHER SIGNIFICANT EVENTS

(I) Segment information

1. Basis of determination and accounting policies of reportable segments

The Company determines its reportable segments based on business segments. The assets and liabilities commonly used by each segment are matched between different segments in accordance with the scale of the proportion.

2. Financial information of the reportable segments

Business segments

Item	Water-saving products	Trading income	Inter-segment elimination	Total
Operating revenue	660,534,411.72	229,236,023.38	-41,373,784.56	848,396,650.54
Including: Revenue from contracts with customers	659,710,880.71	229,236,023.38	-41,373,784.56	847,573,119.53
Cost of sales	599,914,233.04	224,464,138.71	-41,373,784.56	783,004,587.19
Total assets	1,251,371,598.53	43,908,656.22	-2,000,000.00	1,293,280,254.75
Total liabilities	911,963,395.66	26,709,555.28	-2,000,000.00	936,672,950.94

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

(I) Trade receivables

1. Age disclosure of trade receivables by record date

Aging	Closing balance	Closing balance at the end of last year
Within 1 year (inclusive, same below)	22,616,076.15	68,791,149.24
1-2 years	4,208,757.51	5,117,418.05
2-3 years	3,255,918.02	4,045,627.11
3-4 years	3,041,842.77	3,632,417.00
4-5 years	2,248,183.16	2,763,981.19
Over 5 years	15,292,899.99	14,220,642.28
Sub-total	50,663,677.60	98,571,234.87
Less: Bad-debt provision	17,185,944.30	17,641,004.58
Total	33,477,733.30	80,930,230.29

Note: The aging analysis of trade receivables is based on the month in which the amount actually occurs.
The amount that occurs first shall be settled in priority when the capital turnover occurs.

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XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

2. Disclosure of trade receivables by category of bad-debt provision method

Category	Closing balance					Closing balance at the end of last year				
	Book balance		Bad-debt provision		Carrying amount	Book balance		Bad-debt provision		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Bad-debt provision made on a separate basis	8,545,197.36	16.87	8,545,197.36	100.00		8,876,717.36	9.01	8,876,717.36	100.00	
Bad-debt provision made on a credit risk characteristics group basis	42,118,480.24	83.13	8,640,746.94	20.52	33,477,733.30	89,694,517.51	90.99	8,764,287.22	9.77	80,930,230.29
Total	50,663,677.60	100.00	17,185,944.30		33,477,733.30	98,571,234.87	100.00	17,641,004.58		80,930,230.29

Significant trade receivables for which bad-debt provision is made on a separate basis:

Name	Book balance	Closing balance		Basis of provision	Closing balance at the end of last year	
		Bad-debt provision	Percentage of provision (%)		Book balance	Bad-debt provision
Liaoning Dongrun Seed Industry Co., Ltd.* (Yi County, Jinzhou)	3,000,000.00	3,000,000.00	100.00	Expected to be irrecoverable as it is in the process of enforcement due to insolvency of the counterparty	3,000,000.00	3,000,000.00
The 124th Corps of the Seventh Agricultural Division	2,761,283.08	2,761,283.08	100.00	No extrabudgetary funds being disbursed as it is beyond the national budget for the project after inspection and auditing	2,761,283.08	2,761,283.08
Guangxi Gaoliang Agricultural High-Tech Development Limited* (廣西高良科技農業開發有限公司)	1,475,998.79	1,475,998.79	100.00	Expected to be irrecoverable as it has been revoked	1,475,998.79	1,475,998.79

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

2. Disclosure of trade receivables by category of bad-debt provision method (continued)

Name	Book balance	Bad-debt provision	Closing balance Percentage of provision (%)	Basis of provision	Closing balance at the end of last year	
					Book balance	Bad-debt provision
Xinjiang Asina Agricultural Technology Limited* (新疆阿斯納農科公司)	531,786.65	531,786.65	100.00	Expected to be irrecoverable and we have filed a lawsuit against it	531,786.65	531,786.65
Heilongjiang Province Fuyu Pasture*	500,000.00	500,000.00	100.00	Expected to be irrecoverable due to disagreement on the quality upon acceptance	831,520.00	831,520.00
The 128th Corps of the Seventh Agricultural Division	147,681.25	147,681.25	100.00	Expected to be irrecoverable as the other party is out of contact	147,681.25	147,681.25
Zeng Mingmin (曾明敏)	128,447.59	128,447.59	100.00	Expected to be irrecoverable due to disagreement on the quality upon acceptance	128,447.59	128,447.59
Total	8,545,197.36	8,545,197.36			8,876,717.36	8,876,717.36

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

2. Disclosure of trade receivables by category of bad-debt provision method (continued)

Bad-debt provision based on credit risk characteristics portfolio:

Collectively assessed items:

Name	Closing balance		Percentage of provision (%)
	Trade receivables	Bad-debt provision	
Group of receivables from government authorities	6,777,948.46	3,957,508.25	58.39
Group of receivables from non-government authorities	9,605,232.79	4,683,238.69	48.76
Group of receivables from related parties	25,735,298.99		
Total	42,118,480.24	8,640,746.94	

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

2. Disclosure of trade receivables by category of bad-debt provision method (continued)

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
2-3 years	1,168,685.63	116,868.56	10.00
3-4 years	1,198,134.07	299,533.52	25.00
4-5 years	659,861.10	164,965.28	25.00
Over 5 years	3,751,267.66	3,376,140.89	90.00
Total	6,777,948.46	3,957,508.25	58.39

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

2. Disclosure of trade receivables by category of bad-debt provision method (continued)

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	2,354,826.09	70,644.79	3.00
2-3 years	1,232,526.53	246,505.31	20.00
3-4 years	1,715,261.11	857,630.56	50.00
4-5 years	1,588,322.06	794,161.03	50.00
Over 5 years	2,714,297.00	2,714,297.00	100.00
Total	9,605,232.79	4,683,238.69	48.76

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

3. Bad-debt provision made, reversed or recovered during the current period

Category	Closing balance at the end of last year	Changes during the current period				Closing balance
		Made	Recovered or reversed	Charged off or written off	Other changes	
Bad-debt provision made on a separate basis	8,876,717.36		331,520.00			8,545,197.36
Bad-debt provision made on a group basis	8,764,287.22	133,894.48		257,434.76		8,640,746.94
Total	17,641,004.58	133,894.48	331,520.00	257,434.76		17,185,944.30

Of which, amount of important bad-debt provision recovered or reversed in the current period:

Name of entity	Amount recovered or reversed	Reason for reversal	Method	Basis of determining the original bad-debt provision and its reasonability
Heilongjiang Province Fuyu Pasture*	331,520.00	Amount recovered in the current period	Recovered due to bank deposits	Expected to be irrecoverable due to disagreement on the quality upon acceptance
Total	331,520.00			

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XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

4. Trade receivables actually written-off in the current period

Item	Written-off amount
Trade receivables actually written-off	257,434.76

In particular, the status of important trade receivables written-off was:

Entity name	Nature of trade receivables	Amount written-off	Reason for writing-off	Writing-off procedures performed	Whether the amount was generated from connected transactions
Shihezi Beihua Commerce and Trade Co., Ltd.*	Loans	257,434.76	The company has been canceled	Approval by the Board	No
Total		257,434.76			

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(I) Trade receivables (continued)

5. Top five trade receivables and contract assets at closing balance by debtors

Name of entity	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Closing balance of Percentage in the bad-debt provision aggregate closing balance of trade receivables and contract assets (%)	
				balance of trade receivables and contract assets (%)	receivables and provision for impairment of contract assets
China Shanxi International Economic and Technical Cooperation Co., Ltd.*	2,724,849.60	12,362,679.52	15,087,529.12	18.03	601,427.48
Xinjiang Tianyu Agricultural Science Modern Agricultural Industrialization Development Co., Ltd.*	13,973,443.87	965,469.50	14,938,913.37	17.86	
Southern Sichuan Economic Development Group Co., Ltd.* (四川南部經濟開發 集團有限公司)		9,755,171.40	9,755,171.40	11.66	975,517.14
Liaoning Tianye	5,526,623.68		5,526,623.68	6.61	
Nanjiang Water Saving	4,373,677.20		4,373,677.20	5.23	
Total	26,598,594.35	23,083,320.42	49,681,914.77	59.39	1,576,944.62

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XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables

Item	Closing balance	Closing balance at the end of last year
Interest receivables		
Dividend receivables		
Other receivables	60,900,265.15	99,236,491.43
Total	60,900,265.15	99,236,491.43

Other receivables

(1) Disclosure by aging

Aging	Closing balance	Closing balance at the end of last year
Within 1 year (inclusive, same below)	3,206,902.64	1,875,678.15
1-2 years	828,074.00	5,334,293.75
2-3 years	2,917,913.75	11,802,266.53
3-4 years	11,467,444.74	11,819,135.55
4-5 years	11,116,966.31	47,437,152.79
Over 5 years	69,611,208.92	22,630,649.05
Sub-total	99,148,510.36	100,899,175.82
Less: Bad-debt provision	38,248,245.21	1,662,684.39
Total	60,900,265.15	99,236,491.43

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables (continued)

Other receivables (continued)

(2) Disclosure by category of bad-debt provision method

Category	Closing balance					Closing balance at the end of last year				
	Book balance	Percentage	Bad-debt provision	Percentage of	Carrying amount	Book balance	Percentage	Bad-debt provision	Percentage of	Carrying amount
	Amount	(%)	Amount	provision (%)		Amount	(%)	Amount	provision (%)	
Bad-debt provision made on an individual basis	35,968,912.86	36.28	35,968,912.86	100.00		810,000.00	0.80	810,000.00	100.00	
Bad-debt provision made on a credit risk characteristics group basis	63,179,597.50	63.72	2,279,332.35	3.61	60,900,265.15	100,089,175.82	99.20	852,684.39	0.85	99,236,491.43
Total	99,148,510.36	100.00	38,248,245.21		60,900,265.15	100,899,175.82	100.00	1,662,684.39		99,236,491.43

Other receivables for which bad-debt provisions are made on an individual basis:

Name	Closing balance				Closing balance at the end of last year	
	Book Balance	Bad-debt provision	Percentage of provision (%)	Basis of provision	Book Balance	Bad-debt provision
Huai'an Weiwang Agricultural and Pastoral Development Co., Ltd.* (懷安縣偉旺農牧開發有限公司)	810,000.00	810,000.00	100.00	It is expected to be irrecoverable and we have filed a lawsuit against it	810,000.00	810,000.00
Shihezi Tiancheng Water-Saving Equipment Co., Ltd.* (石河子市天誠節水器材有限公司)	35,158,912.86	35,158,912.86	100.00	It is expected to be irrecoverable		
Total	35,968,912.86	35,968,912.86			810,000.00	810,000.00

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(II) Other receivables *(continued)*

Other receivables *(continued)*

(2) Disclosure by category of bad-debt provision method *(continued)*

Bad-debt provision based on credit risk characteristics portfolio:

Collectively assessed items:

Name	Closing balance		Percentage of provision (%)
	Other receivables	Bad-debt provision	
Group of receivables from government authorities	2,246,170.00	1,929,253.00	85.89
Group of receivables from non-government authorities	2,390,640.68	350,079.35	14.64
Group of receivables from related parties	58,542,786.82		
Total	63,179,597.50	2,279,332.35	

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables (continued)

Other receivables (continued)

(2) Disclosure by category of bad-debt provision method (continued)

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
3 to 4 years	142,000.00	35,500.00	25.00
Over 5 years	2,104,170.00	1,893,753.00	90.00
Total	2,246,170.00	1,929,253.00	85.89

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

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage of provision (%)
Within 1 year (inclusive, same below)	2,096,676.64	62,900.31	3.00
1-2 years	2,100.00	315.00	15.00
3-4 years	10,000.00	5,000.00	50.00
Over 5 years	281,864.04	281,864.04	100.00
Total	2,390,640.68	350,079.35	14.64

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables (continued)

Other receivables (continued)

(3) Bad-debt provision made

Bad-debt provision	Phase 1 Next 12-month ECLs	Phase 2 Lifetime ECLs (without credit impairment)	Phase 3 Lifetime ECLs (with credit impairment)	Total
Closing balance at the end of last year	852,684.39		810,000.00	1,662,684.39
In the current period, closing balance at the end of last year				
— Transferred to Phase 2				
— Transferred to Phase 3			35,158,912.86	35,158,912.86
— Written back to Phase 2				
— Written back to Phase 1				
Provision for the current period	1,426,647.96			1,426,647.96
Written back for the current period				
Charged off for the current period				
Written off for the current period				
Other changes				
Closing balance	2,279,332.35		35,968,912.86	38,248,245.21

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables (continued)

Other receivables (continued)

(3) Bad-debt provision made (continued)

Changes in book balance of other receivables are as follows:

	Phase 1 Next 12-month ECLs	Phase 2 Lifetime ECLs (without credit impairment)	Phase 3 Lifetime ECLs (with credit impairment)	Total
Book balance				
Closing balance at the end of last year	100,089,175.82		810,000.00	100,899,175.82
In the current period, closing balance at the end of last year				
— Transferred to Phase 2				
— Transferred to Phase 3	-35,158,912.86		35,158,912.86	
— Written back to Phase 2				
— Written back to Phase 1				
Added for the current period	108,229,380.31			108,229,380.31
Derecognized for the current period	-109,980,045.77			-109,980,045.77
Other changes				
Closing balance	63,179,597.50		35,968,912.86	99,148,510.36

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XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables (continued)

Other receivables (continued)

(4) Bad-debt provision made, reversed or recovered during the current period

Category	Closing balance at the end of last year	Changes during the current period			Closing balance
		Made	Recovered or reversed	Charged off or written off	
Bad-debt provision made on a separate basis	810,000.00	35,158,912.86			35,968,912.86
Bad-debt provision made on a group basis	852,684.39	1,426,647.96			2,279,332.35
Total	1,662,684.39	36,585,560.82			38,248,245.21

(5) Category by nature

Nature	Closing book balance	Closing book balance of the previous year
Security deposits	2,637,373.69	2,677,005.69
Amounts due from subsidiaries and related party	93,701,699.68	96,131,471.34
Provisional accounts receivables	2,809,436.99	2,090,698.79
Total	99,148,510.36	100,899,175.82

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(II) Other receivables (continued)

Other receivables (continued)

(6) Top five other receivables at closing balance by debtors

Name of entity	Nature	Closing balance	Aging	Percentage in the aggregate closing balance of other receivables (%)	Closing balance of bad-debt provision
Tiancheng Water Saving	Amounts due from subsidiaries and related party	35,158,912.86	2-3 years: RMB297,641.70; 3-4 years: RMB904,153.90; 4-5 years: RMB2,143,367.06; Over 5 years: RMB31,813,750.20	35.46	35,158,912.86
Akesu Tianye	Amounts due from subsidiaries and related party	26,953,037.82	Within 1 year: RMB200,000.00; 1-2 years: RMB1,200.00; 2-3 years: RMB9,000.00; 3-4 years: RMB2,974,443.35; 4-5 years: RMB4,878,741.66; Over 5 years: RMB18,889,652.81	27.18	
Tiantun Supply Chain	Amounts due from subsidiaries and related party	20,399,282.63	2-3 years: RMB2,294,956.96; 3-4 years: RMB2,197,242.31; 4-5 years: RMB861,358.10; Over 5 years: RMB15,045,725.26	20.57	
Xiyi Water Saving	Amounts due from subsidiaries and related party	7,507,721.26	Within 1 year: RMB2,400.00; 1-2 years: RMB8,400.00; 2-3 years: RMB313,315.09; 3-4 years: RMB4,258,869.87; 4-5 years: RMB2,924,736.30;	7.57	
Liaoning Tianye	Amounts due from subsidiaries and related party	2,758,545.11	2-3 years: RMB3,000.00; 3-4 years: RMB980,735.31; 4-5 years: RMB308,763.19; Over 5 years: RMB1,466,046.61	2.78	
Total		92,777,499.68		93.56	35,158,912.86

for Year 2025 (Unless specifically indicated, expressed in RMB)

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(III) Long-term equity investments

Item	Closing balance			Closing balance at the end of last year		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	291,096,889.37	111,718,919.42	179,377,969.95	286,956,015.24	50,675,116.11	236,280,899.13
Investments in associates				134,266.57		134,266.57
Total	291,096,889.37	111,718,919.42	179,377,969.95	287,090,281.81	50,675,116.11	236,415,165.70

1. Investments in subsidiaries

Investee	Closing balance at the end of last year (carrying amount)	Closing balance of provision for impairment of the previous year	Increase or decrease during the period		Provision for impairment during the period	Others	Closing balance (carrying amount)	Closing balance of provision for impairment
			Increase	Decrease				
Tiantun Supply Chain		12,000,000.00						12,000,000.00
Akesu Tianye	40,000,000.00				39,813,772.17		186,227.83	39,813,772.17
Tiancheng Water Saving		14,456,876.00						14,456,876.00
Gansu Tianye	61,414,950.00				16,520,959.79		44,893,990.21	16,520,959.79
Liaoning Tianye		10,000,000.00						10,000,000.00
Zhongxinong Water Saving	5,900,000.00						5,900,000.00	
Wisdom Agriculture	1,571,830.95	12,719.05	3,147,516.70				4,719,347.65	12,719.05
Nanjiang Water Saving	12,810,999.34	7,189,000.66			2,423,486.92		10,387,512.42	9,612,487.58
Xiyu Water Conservancy	36,798,300.00						36,798,300.00	
Xiyi Water Saving	7,308,710.03	4,581,489.97					7,308,710.03	4,581,489.97
Tianfu Ecological	5,214,970.57	2,435,029.43					5,214,970.57	2,435,029.43
Hongrui Huixin	4,581,200.00						4,581,200.00	
Modern Agricultural	20,000,000.00						20,000,000.00	
Silu Tianyang	15,320,594.76				1,227,779.93		14,092,814.83	1,227,779.93
Beijing Tianye	24,849,343.48				687,358.76		24,161,984.72	687,358.76
Henan Tianye	510,000.00		993,358.43		370,446.74		1,132,911.69	370,446.74
Xinjiang Tianbei Runtong Construction Engineering Co., Ltd.*		1.00		1.00		-1.00		
Total	236,280,899.13	50,675,116.11	4,140,875.13	1.00	61,043,804.31	-1.00	179,377,969.95	111,718,919.42

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(III) Long-term equity investments (continued)

2. Investments in associates and joint ventures

Investee	Closing balance at the end of last year (carrying amount)	Closing balance of provision for impairment of the previous year	Increase or decrease during the period								Closing balance (carrying amount)	Closing balance of provision for impairment
			Increase	Decrease	Investment profit and loss recognized with the equity method	Adjustments to other comprehensive income	Other equity changes	Cash dividends or profit distribution declared	Provision for impairment	Others		
Associates												
Jianshui Runnong Water Supply Co., Ltd.	134,266.57				-134,266.57							
Sub-total	134,266.57				-134,266.57							
Total	134,266.57				-134,266.57							

(IV) Operating income and operating cost

1. Operating income and operating cost

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Principal businesses	139,682,219.72	136,077,086.82	377,265,463.10	360,255,702.47
Other businesses	10,181,721.29	12,946,306.59	32,519,643.72	35,378,366.95
Total	149,863,941.01	149,023,393.41	409,785,106.82	395,634,069.42

for Year 2025 (Unless specifically indicated, expressed in RMB)

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (continued)

(IV) Operating income and operating cost (continued)

2. Breakdown of operating income and operating cost

(1) Breakdown of revenue from contracts with customers by types of goods or services

Item	Current period		Previous period	
	Income	Cost	Income	Cost
Drip films, drip tape, and drip assembles	2,246,550.00	1,821,467.40	3,606,233.28	1,834,904.22
PVC pipes/PE pipes	117,281,498.62	114,774,425.44	212,568,021.00	190,905,652.53
Engineering	20,154,171.10	19,481,193.98	161,091,208.82	167,515,145.72
Other businesses	9,893,662.37	12,383,957.02	30,661,989.91	33,436,136.19
Total	149,575,882.09	148,461,043.84	407,927,453.01	393,691,838.66

(2) Breakdown of revenue from contracts with customers by operating regions

Item	Current period		Corresponding period last year	
	Income	Cost	Income	Cost
Domestic	149,575,882.09	148,461,043.84	407,927,453.01	393,691,838.66
Total	149,575,882.09	148,461,043.84	407,927,453.01	393,691,838.66

XVI. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY *(continued)*

(IV) Operating income and operating cost *(continued)*

2. Breakdown of operating income and operating cost *(continued)*

(3) Breakdown of revenue from contracts with customers by time of transfer of goods or services

Item	Current period	Corresponding period last year
Revenue recognized at a point in time	129,421,710.99	246,836,244.19
Revenue recognized over time	20,154,171.10	161,091,208.82
Total	149,575,882.09	407,927,453.01

(4) Revenue included in the opening book value of contract liabilities recognized in the current period was RMB5,563,426.48.

(V) Investment income

Item	Current period	Previous period
Return on long-term equity investment accounted with the cost method	10,000,000.00	22,447,323.87
Return on long-term equity investment accounted with the equity method	-134,266.57	-577,693.13
Investment income from the disposal of long-term equity investments	1.00	
Total	9,865,734.43	21,869,630.74

XVII.SUPPLEMENTAL INFORMATION

(I) Breakdown of non-recurring profit and loss for the current period

Item	Amount	Note
Profit and loss from disposal of non-current asset, include write-off portion of provision for asset impairment	1,067,874.14	
Government grants included in profit or loss for the current period, except for those closely related to the Company's normal business operations, in compliance with national policies and regulations, in accordance with determined standards, which have a continuous impact on the Company's profit or loss	11,299,209.13	
Gains or losses on changes in fair value arising from financial assets and financial liabilities held by non-financial enterprises and gains or losses on disposal of financial assets and financial liabilities, except for effective hedging activities related to the Company's normal business operations		
Payment for possession of fund acquired from non-financial enterprises included in the current profit and loss		
Profit and loss from commissioned investment or asset management		
Gains or losses from entrusted loans		
All asset losses due to force majeure, such as natural disasters		
Reversal of provision for impairment of receivables with impairment test performed separately	1,662,774.84	
Gains arising from the excess of the Group's share of the acquisition-date fair values of the investees' identifiable net assets over the investment costs for acquisition of the subsidiaries, associates and joint ventures		
Net profit or loss of subsidiaries from business merger under common control from the beginning of the period to the date of merger		
Non-monetary asset exchange profit and loss		
Profit and loss from debt restructuring		

XVII.SUPPLEMENTAL INFORMATION *(continued)***(I) Breakdown of non-recurring profit and loss for the current period** *(continued)*

Item	Amount	Note
One-off expenses incurred by the enterprise due to the discontinuity of relevant business activities, such as expenses for resettlement of employees		
One-off impact on current profit or loss due to the adjustment of tax and accounting laws and regulations		
One-off share-based payment expenses recognized due to cancelation and modification of share incentive scheme		
For cash-settled share-based payments, gains or losses arising from changes in fair value of employee benefits payable after the vesting date		
Profit or loss from change in fair value of investment property using the fair value model for subsequent measurement		
Gain arising from transactions with obviously unfair transaction price		
Profit or loss from contingencies unrelated to the normal business of the Company		
Custodian fee income from entrusted operation		
Non-operating income and expenses other than the above items	619,528.34	
Other profit and loss items in line with the definition of non-recurring profits and losses	702,035.32	
Sub-total	15,351,421.77	
Impact on income tax	299,210.96	
Impact on minority interests (after tax)	80,685.65	
Total	14,971,525.16	

for Year 2025 (Unless specifically indicated, expressed in RMB)

XVII.SUPPLEMENTAL INFORMATION *(continued)***(II) Rate of return on net assets and earnings per share****1. Breakdown**

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB)	
		Basic earnings per share	Diluted earnings per share
Net profits attributable to the ordinary shareholders of the Company	-0.15	-0.11	-0.11
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	-0.20	-0.13	-0.13

XVII.SUPPLEMENTAL INFORMATION (continued)**(II) Rate of return on net assets and earnings per share** (continued)**2. Calculation of weighted average return on net assets**

Item	No.	Current period
Net profits attributable to the ordinary shareholders of the Company	A	-54,824,904.28
Non-recurring profit or loss	B	14,971,525.16
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-69,796,429.44
Opening balance of net assets attributable to the ordinary shareholders of the Company	D	381,717,665.12
Net assets attributable to the ordinary shareholders of the Company arising from new shares issuance or conversion of debt to Shares	E	
Number of months accumulated from the month after the month of creation of additional net assets to the end of the reporting period	F	
Decrease in net assets attributable to the ordinary shareholders of the Company due to repurchase or cash dividend	G	
Number of months accumulated from the month after the month of reduction of net assets to the end of the reporting period	H	
Others	I	
Changes in accounting policies		
Number of months accumulated from the month after the month of addition or reduction of net assets to the end of the reporting period	J	12
Number of months during the reporting period	K	12
Weighted average net assets	$L=D+A/2+E \times F/K-G \times H/K \pm I \times J/K$	354,305,212.98
Weighted average return on net assets	$M=A/L$	-15.47%
Weighted average return on net assets after non-recurring profit or loss	$N=C/L$	-19.70%

XVII.SUPPLEMENTAL INFORMATION *(continued)***(II) Rate of return on net assets and earnings per share** *(continued)***3. Calculation of basic earnings per share and diluted earnings per share***(1) Calculation of basic earnings per share*

Item	No. Current period	
Net profits attributable to the ordinary shareholders of the Company	A	-54,824,904.28
Non-recurring profit or loss	B	14,971,525.16
Net profits attributable to the ordinary shareholders of the Company after non-recurring profit or loss	C=A-B	-69,796,429.44
Opening balance of total number of shares	D	519,521,560.00
Number of shares increased due to capitalization of capital reserve or distribution of share dividends	E	
Number of shares increased due to new shares issuance or conversion of debt to Share	F	
Number of months accumulated from the month after the month of creation of additional shares to the end of the reporting period	G	
Decrease in number of shares due to repurchase	H	
Number of months accumulated from the month after the month of reduction of shares to the end of the reporting period	I	
Share reduction during the reporting period	J	
Number of months during the reporting period	K	12
Weighted average number of outstanding ordinary shares	$L=D+E+F \times G / (K-H \times I / K-J)$	519,521,560.00
Basic earnings per share	$M=A / L$	-0.11
Basic earnings per share after non-recurring profit or loss	$N=C / L$	-0.13

XVII.SUPPLEMENTAL INFORMATION *(continued)*

(II) Rate of return on net assets and earnings per share *(continued)*

3. Calculation of basic earnings per share and diluted earnings per share *(continued)*

(2) Calculation of diluted earnings per share

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

Xinjiang Tianye Water Saving Irrigation System Company Limited

31st March, 2026

Five Years Financial Summary

For the year ended 31st December, 2025

The table below summarizes the audited results, assets and liabilities of the Group for the years ended 31st December, 2025, 2024, 2023, 2022 and 2021.

RESULTS

	2025	2024	2023	2022	2021
	RMB'000	RMB'000	(Adjusted) RMB'000	(Adjusted) RMB'000	RMB'000
Turnover	848,397	1,498,562	2,218,204	1,472,400	1,111,618
Total comprehensive (loss)/income attributable to owners of the Parent Company	54,825	39,536	7,358	78,122	(66,836)

ASSETS AND LIABILITIES

	2025	2024	2023	2022	2021
	RMB'000	RMB'000	(Adjusted) RMB'000	(Adjusted) RMB'000	RMB'000
Total assets	1,293,280	1,232,947	1,249,254	1,104,967	1,027,021
Total liabilities	936,673	822,939	773,547	606,873	462,713
Minority interest	29,747	28,291	34,324	33,232	42,419
Total equity attributable to owners of the Parent Company	326,860	381,718	441,383	464,863	521,888

Property Interests held by the Group in the PRC

For the year ended 31st December, 2025

Location of Property	Lease term	Percentage of Interests attributable to the Group	Floor Area (sq.m.)	Use
1. A parcel of land and various buildings and structures erected thereon, District No. 81, Shihezi Economic and Technological Development Zone, Xinjiang Uygur Autonomous Region, the PRC	Long-term	100%	4,491.8	Industrial
2. Various buildings and structures located on 134 Tuan, Xiayedi Town Shihezi City, Xinjiang Uygur Autonomous Region, the PRC	Long-term	100%	4,255.3	Industrial
3. Various buildings and structures located on Zhijiang Avenue, Akesu Textile Industrial City (Development Zone), Xinjiang Uygur Autonomous Region, the PRC	Long-term	100%	12,472.7	Industrial