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**Tibet Water Resources Ltd.**

**西藏水資源有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1115)**

**DISCLOSEABLE TRANSACTION  
FURTHER ACQUISITION  
OF 31% EQUITY INTERESTS IN  
TIBET SHANNAN YALAXIANGBU INDUSTRIAL LTD.\***

**THE AGREEMENT**

On 30 March 2021 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser and the Purchaser conditionally agreed to acquire from the Vendor 31% equity interests in Shannan Yalaxiangbu Company, for a total consideration of RMB465,000,000. Shannan Yalaxiangbu Company is principally engaged in the production and sales of bottled natural drinking water in the PRC.

Pursuant to the Agreement, the total Consideration shall be RMB465,000,000, payable by the Purchaser to the Vendor in the following manners:

1. 50% of the total Consideration (being RMB232,500,000) shall be paid in cash within 20 Business Days following the delivery of a complete copy of the resolutions passed by the Vendor's internal decision-making organizations (including but not limited to its shareholders' meeting or board) approving the transfer of the Sale Equity by the Vendor pursuant to the terms and conditions under the Agreement by the Vendor to the Purchaser; and
2. the remaining 50% of the total Consideration (being RMB232,500,000) shall be paid in cash within 20 Business Days following completion of the business registration procedures in relation to the transfer of the Sale Equity contemplated under the Agreement.

The total Consideration will be financed by the Group's internal resources.

As at the date of this announcement, the Company holds indirectly through the Purchaser 9% equity interests in Shannan Yalaxiangbu Company, which was acquired by the Purchaser pursuant to the Prior Acquisition.

Upon completion of the Further Acquisition, the Group will own an aggregate of 40% equity interests in Shannan Yalaxiangbu Company and become its second largest shareholder.

#### **IMPLICATIONS UNDER LISTING RULES**

As the highest applicable percentage ratios (as defined in the Listing Rules) for the Further Acquisition is more than 5% but less than 25%, the Further Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

On 30 March 2021 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser and the Purchaser conditionally agreed to acquire from the Vendor 31% equity interests in Shannan Yalaxiangbu Company for a total consideration of RMB465,000,000.

As at the date of this announcement, the Company holds indirectly through the Purchaser 9% equity interests in Shannan Yalaxiangbu Company, which was acquired by the Purchaser pursuant to the Prior Acquisition.

Upon completion of the Further Acquisition, the Group will own an aggregate of 40% equity interests in Shannan Yalaxiangbu Company and become its second largest shareholder.

#### **THE AGREEMENT**

**Date:**

30 March 2021

**Parties:**

- (1) Tibet Fudi Natural Beverage Ltd.\* (西藏福地天然飲品有限責任公司), a company established in the PRC and holding 40% equity interests in Shannan Yalaxiangbu Company as at the date of this announcement, as vendor (the “Vendor”); and

- (2) Tibet Glacier Mineral Water Co., Ltd.\* (西藏冰川礦泉水有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company, as purchaser (the “**Purchaser**”).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the ultimate beneficial owners of the Vendor are Zhang Zuojiang (張作江) and Yuan Mu (原牧).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor, the other shareholder of Shannan Yalaxiangbu Company, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

**Assets to be acquired:**

The Sale Equity, being 31% equity interests in Shannan Yalaxiangbu Company, together with the relevant rights and obligations, which are free from all claims and encumbrances and third party rights of any kind will be acquired.

**Consideration of the Further Acquisition:**

Pursuant to the Agreement, the total Consideration shall be RMB465,000,000, payable by the Purchaser to the Vendor in the following manners:

1. 50% of the total Consideration (being RMB232,500,000) shall be paid in cash within 20 Business Days following the delivery of a complete copy of the resolutions passed by the Vendor’s internal decision-making organizations (including but not limited to its shareholders’ meeting or board) approving the transfer of the Sale Equity by the Vendor pursuant to the terms and conditions under the Agreement by the Vendor to the Purchaser; and
2. the remaining 50% of the total Consideration (being RMB232,500,000) shall be paid in cash within 20 Business Days following completion of the business registration procedures in relation to the transfer of the Sale Equity contemplated under the Agreement.

The total Consideration will be financed by the Group’s internal resources.

The total Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor and is on normal commercial terms with reference to and taking into account a number of factors, including but not limited to:

1. the reasons for the Further Acquisition and the benefits which are expected to accrue to the Group as a result of the Further Acquisition (details of which have been set out in this announcement);
2. the total consideration paid by the Group for the Prior Acquisition completed on 10 December 2018;
3. the marketing channels and sales prospect of the packaged drinking water products at “uSmile 崑崙好客” convenience stores at over 20,000 gas stations of PetroChina Company Limited\* (中國石油天然氣股份有限公司) (“**PetroChina**”), the controlling shareholder of Shannan Yalaxiangbu Company;
4. Shannan Yalaxiangbu Company's paid-up capital, business development and potentials; and
5. the representations, warranties and undertakings given by the Vendor to the Purchaser in the Agreement.

The Directors (including the independent non-executive Directors) consider that the Consideration payable by the Purchaser under the Agreement is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

**Undertakings:**

1. The Vendor undertakes that the determination of the Consideration meets the requirements of relevant laws and regulations which it is required to comply with and that it has procured or will procure all existing shareholders of Shannan Yalaxiangbu Company to approve the equity transfer under the Agreement; and
2. The Vendor undertakes and warrants that although the procedures of verification report on the project currently under construction for an annual natural drinking water production capacity of one million tonnes have been processed in the name of the Vendor, the Vendor has already transferred all the rights, interests and obligations under the project to Shannan Yalaxiangbu Company and no longer has any claim, argument or dispute or potential argument or dispute over the same.

**Conditions Subsequent:**

The Vendor shall procure Shannan Yalaxiangbu Company or each of its shareholders to satisfy the following conditions (“**Conditions Subsequent**”) after the Agreement comes into effect:

- (1) the Vendor shall procure Shannan Yalaxiangbu Company to provide the Purchaser with the original of the amended articles of association of Shannan Yalaxiangbu Company which shall reflect the relevant provisions in the Agreement, in the manner of notification as stated in the Agreement within thirty Business Days from the effective date of the Agreement;
- (2) the Vendor and Shannan Yalaxiangbu Company shall jointly complete the business registration in relation to the transfer of the Sale Equity under the Agreement as soon as possible and provide the Purchaser with a copy of the document supporting the change in business registration, e.g. the notice of approval for change in registration, in the manner of notification as stated in the Agreement within three months from the effective date of the Agreement; and
- (3) Shannan Yalaxiangbu Company shall obtain the relevant government authority’s approval on the transfer of the relevant license for water drawing for the “construction project for an annual natural drinking water capacity of one million tonnes” from the Vendor to Shannan Yalaxiangbu Company within three months from the effective date of the Agreement.

If the Vendor fails to satisfy the Conditions Subsequent as stated in the above within the agreed period of time and has not obtained waiver from the Purchaser, the Purchaser shall have the right to terminate the Agreement unilaterally and require the Vendor to refund the paid Consideration in full. In case of any loss suffered by the Purchaser thereby, the Vendor shall make full compensation.

**Force Majeure:**

Where any force majeure event which is not foreseeable and whose occurrence and consequence cannot be prevented or avoided directly affects the performance of the Agreement or results in the non-performance of the Agreement in accordance with its conditions, the party suffering from such event shall immediately inform the other party of such event in writing and shall, in principle, provide details of the event and valid evidence of the reason for non-performance of the Agreement within fifteen days. Depending on the effect of such event on the performance of the Agreement, the parties to the Agreement shall decide through negotiation whether or not to terminate the Agreement, partially release the obligation to perform the Agreement or delay the performance of the Agreement.

**Completion:**

The Purchaser and the Vendor shall jointly complete the business registration in relation to the change of equity interests in Shannan Yalaxiangbu Company within three months from the effective date of the Agreement.

Upon completion of the Further Acquisition, the Group will own an aggregate of 40% equity interests in Shannan Yalaxiangbu Company and become its second largest shareholder.

**INFORMATION ON SHANNAN YALAXIANGBU COMPANY**

To the best of the Directors' knowledge having made all reasonable enquiries, Shannan Yalaxiangbu Company is an other limited liability company established on 18 October 2002 under the laws of the PRC and is owned as to 51% by PetroChina, 40% by the Vendor, and 9% by the Purchaser as at the date of this announcement; and its principal business activities include production and sales of bottled natural drinking water in the PRC. Its factory plants are established in Shannan City of Tibet, at an elevation of 3,000 meters above sea level. The current production facilities cover an area of over 150,000 square meters, with total gross floor area of nearly 30,000 square meters, equipped with advanced and complete production equipment, with all qualifications for the production of packaged drinking water.

Since PetroChina became a shareholder of Shannan Yalaxiangbu Company in July 2019, the Group and PetroChina had started strategic cooperation pursuant to which "Gesang Spring 格桑泉" natural drinking water products produced by Shannan Yalaxiangbu Company are sold through "uSmile 崑崙好客" convenience stores in over 20,000 PetroChina's gas stations. Shannan Yalaxiangbu Company will also sell through other retail channels including digital platforms. In addition, Shannan Yalaxiangbu Company will produce and sell "Yalaxiangbu 雅拉香布" packaged water products through the above channels.

Set out below is the audited financial information for the financial year ended 31 December 2019 and the unaudited financial information for the year ended 31 December 2020 of Shannan Yalaxiangbu Company:-

	<b>For the financial years ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(unaudited)
Revenue	14,086	63,194
Net (loss)/profit before taxation	1,559	4,022
Net (loss)/profit after taxation	1,559	4,022

As at 31 December 2020, the unaudited total assets of Shannan Yalaxiangbu Company were approximately RMB426 million, and the unaudited total liabilities were approximately RMB343 million.

In 2020, the overall economic environment in China and the world has been temporarily and severely adversely affected by the global spread of COVID-19 (Coronavirus). As a result, Shannan Yalaxiangbu Company's business has suffered a significant negative impact due to pandemic related lockdown around the PRC. Even with such unusual challenges, Shannan Yalaxiangbu Company in the second half of 2020 quickly resumed production and sales, making use of its existing channel advantages and logistics network advantages to commit to long-term expansion.

#### **INFORMATION ON THE VENDOR**

To the best knowledge of the Directors, the Vendor is principally engaged in the management of corporate investments projects, as well as investment in the drinking water industry and business operation management.

#### **REASONS FOR AND BENEFITS OF THE FURTHER ACQUISITION**

The Group is engaged mainly in production and sales of water products and beer products in the PRC.

The natural drinking water construction project of Shannan Yalaxiangbu Company with annual production capacity of one million tonnes is a significant strategy for the development of the natural drinking water industry in Tibet, to which the Tibet local government attaches great importance and provides strong support. On the basis of such project, the Tibet government plans to establish Shannan City as an important production base for natural water and increase the efforts for attracting more investments and promotion to help Shannan Yalaxiangbu Company rapidly improve its operations and sales volume.



Upon completion of the Further Acquisition, the Group will further establish its leading strategic positioning in relation to the water resource in the Tibet region and will possess the following advantages that are highly beneficial to the Group in its long-term development:

1. Advantage in resources. The Group will have a significant shareholding in both Highland Natural Water, a joint venture with Sinopec, and Shannan Yalaxiangbu Company, a joint venture with PetroChina, both with annual production capacity of one million tonnes of high-quality mineral spring water resource. Together with its current high-quality water resource for the 5100 series premium products, the Group will then gain significant market share in the water resource in Tibet and become a significant leader in the natural drinking water industry in the Tibet region;
2. Advantage in channels. As mentioned above, Sinopec and PetroChina have fully participated in the development of the natural drinking water industry in Tibet as demonstrated by the fact that packaged drinking water from Tibet is sold in more than 50,000 gas stations throughout the PRC at present. The value of these channels and the predictable business growth and profit brought about can be very considerable. By carrying out strategic cooperation with Sinopec and PetroChina, the overall natural drinking water industry in Tibet should develop rapidly, and the sales, coverage and positioning of the Group's multiple brands of products in the market would be strengthened through these extensive sales channels;
3. Strategic cooperation. Due to the resource advantages and channel advantages mentioned above, it will be greatly conducive to the Group's strategic cooperation with other key corporations and partners; and
4. Advantage in logistics network and new retail sales model. The Group has developed the new retail model by fully utilizing and integrating the Group's service system with the gas stations of Sinopec and PetroChina, together with the online sales and logistics cooperation with JD.com and Tmall, and the new retail model is expected to bring new momentum of profit growth to the Group.

The Directors have taken the following into consideration:

1. as mentioned above, the natural drinking water construction project of Shannan Yalaxiangbu Company with annual production capacity of one million tonnes is an integral part of the development planning of the water industry in Tibet. The business structure upon completion of the Further Acquisition will also greatly benefit the long-term development of the Group;



2. based on the business prospects and management analysis of Shannan Yalaxiangbu Company, the Board believes Shannan Yalaxiangbu Company has strong profitability and growth potential. Given that PetroChina is the single largest shareholder of Shannan Yalaxiangbu Company as disclosed above, the Directors believe that the business potentials and development of Shannan Yalaxiangbu Company have a positive outlook;
3. meanwhile, the strategic cooperation with PetroChina will bring more momentum for the Group, promote Tibet's clean and good water across the country and boost its market presence and awareness and allow more consumers to recognize and choose Tibet's water, which is also complementary to the existing business of the Group;
4. the cooperation with PetroChina through the production and sales of "Gesang Spring 格桑泉" products by Shannan Yalaxiangbu Company will boost the brand awareness and sales volume rapidly;
5. driven by the increasing wealth and rising living standards in the PRC, the major drivers for high quality beverage industry continue to maintain positive; and
6. the demand for consumer products with distinctive Tibetan features has continued to increase in the PRC.

In view of the above, the Directors consider that the entering into of the Agreement and the terms and conditions of the Further Acquisition are fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

The Company believes that the Further Acquisition will be beneficial for the Group as it will strengthen the strategic relationship between the Group and Shannan Yalaxiangbu Company. As the Group and Shannan Yalaxiangbu Company are both based in Tibet and engaged in the premium/high quality beverage industry, there will be potential cooperation opportunities in various aspects, which will in turn enhance the Group's competitiveness in providing high-end and quality products with distinctive Tibetan features and strengthen the Group's overall operations and sales. Looking forward, Shannan Yalaxiangbu Company is expected to continue to develop and grow rapidly. The Company also expects that the Further Acquisition will bring additional income to the Group and strengthen the Group's profit base.

## IMPLICATIONS UNDER LISTING RULES

As the highest applicable percentage ratios (as defined in the Listing Rules) for the Further Acquisition is more than 5% but less than 25%, the Further Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Agreement”	the equity transfer agreement dated 30 March 2021 entered into between the Purchaser and the Vendor in respect of the Further Acquisition;
“Board”	the board of directors of the Company;
“Business Day(s)”	a day (excluding statutory holiday and rest day) in the PRC;
“Company”	Tibet Water Resources Ltd., a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange;
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Further Acquisition pursuant to the Agreement;
“Director(s)”	the director(s) of the Company;
“Further Acquisition”	the acquisition of 31% equity interests in Shannan Yalaxiangbu Company by the Purchaser from the Vendor pursuant to the Agreement;
“Group”	the Company and its subsidiaries;
“Highland Natural Water”	Tibet Highland Natural Water Co., Ltd.* (西藏高原天然水有限公司), a company incorporated in the PRC with limited liability held as to 51% by Sinopec, and as to 43.981% in total by two wholly-owned subsidiaries of the Company;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;
“Prior Acquisition”	the acquisition of 9% equity interests in Shannan Yalaxiangbu Company by the Purchaser from the Vendor pursuant to an equity transfer agreement dated 10 December 2018 for a consideration of RMB178,200,000, completion of which took place on 10 December 2018;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity”	31% of the total registered and paid-up capital of Shannan Yalaxiangbu Company;
“Shannan Yalaxiangbu Company”	Tibet Shannan Yalaxiangbu Industrial Ltd.*, (西藏山南雅拉香布實業有限公司), an other limited liability company incorporated in the PRC on 18 October 2002 held as to 51%, 40% and 9% by PetroChina, the Vendor and the Purchaser respectively as at the date of this announcement;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Sinopec”	China Petroleum & Chemical Co., Ltd.* (中國石油化工股份有限公司);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tibet”	Tibet Autonomous Region of the PRC;

“uSmile 崑崙好客”

the name of the convenience stores in the gas stations owned by PetroChina;

“%”

per cent; and

“\*”

for identification purpose only.

By order of the Board  
**Tibet Water Resources Ltd.**  
**Kevin Cheng WEI**  
*Chairman and Non-executive Director*

Hong Kong, 30 March 2021

*As of the date of this announcement, the executive Directors are Mr. YUE Zhiqiang and Mr. YAN Qingjiang, the non-executive Directors are Ms. JIANG Xiaohong and Mr. Kevin Cheng WEI (Chairman), and the independent non-executive Directors are Mr. HUNG Ka Hai Clement, Mr. TANG Zeping and Mr. DAI Yang.*