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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)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2022	2021	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
Revenue	183,847	223,336	↓ 17.7%
Adjusted EBITDA*	39,729	57,583	↓ 31.0%
Profit for the period attributable to owners of the Company	7,821	44,603	↓ 82.5%
Earnings per share			
- Basic (RMB cents)	0.31	1.78	↓ 82.6%
- Diluted (RMB cents)	0.31	1.69	↓ 81.7%
		As at 30 June 2022	As at 31 December 2021
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets		4,170,242	4,148,946
Equity attributable to owners of the Company		2,817,429	2,831,432

* Adjusted EBITDA is not an accounting measure under International Financial Reporting Standards (“IFRSs”) which should be read in conjunction with Note 4(b).

INTERIM RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tibet Water Resources Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022. These interim results have been reviewed by the Company’s audit committee (the “**Audit Committee**”), comprising all of the independent non-executive Directors, one of whom chairs the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2022	2021
		RMB’000	RMB’000
Revenue	5	183,847	223,336
Cost of sales		(121,337)	(134,689)
Gross profit		62,510	88,647
Selling and distribution costs		(12,250)	(28,961)
Administrative expenses		(34,204)	(30,818)
Allowance for expected credit loss (“ECL”) on financial assets		(7,687)	(26,892)
Other gains, net	6	12,293	18,046
Operating profit		20,662	20,022
Finance income, net		746	34,725
Share of result on investments accounted for using the equity method		(7,670)	(1,124)
Loss on disposal of investments accounted for using the equity method		(43)	—
Profit before income tax		13,695	53,623
Income tax expense	8	(5,874)	(9,020)
Profit for the period	7	7,821	44,603
Profit for the period attributable to:			
– Owners of the Company		7,821	44,603
– Non-controlling interests		—	—
		7,821	44,603
Earnings per share attributable to owners of the Company			
– basic (RMB cents per share)	9	0.31	1.78
– diluted (RMB cents per share)	9	0.31	1.69

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	<i>RMB'000</i>
Profit for the period	<u>7,821</u>	<u>44,603</u>
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	<u>(21,824)</u>	<u>10,291</u>
Other comprehensive (loss)/income for the period, net of tax	<u>(21,824)</u>	<u>10,291</u>
Total comprehensive (loss)/income for the period	<u><u>(14,003)</u></u>	<u><u>54,894</u></u>
Total comprehensive (loss)/income attributable to:		
– Owners of the Company	<u>(14,003)</u>	<u>54,894</u>
– Non-controlling interests	<u>—</u>	<u>—</u>
Total comprehensive (loss)/income for the period	<u><u>(14,003)</u></u>	<u><u>54,894</u></u>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Non-current assets			
Right-of-use assets		26,712	27,077
Property, plant and equipment (“PP&E”)		398,572	422,544
Intangible assets		29,506	31,120
Goodwill		721,139	721,139
Investments accounted for using the equity method	10	1,394,004	1,416,403
Deferred tax assets		4,704	5,000
Prepayments		8,091	8,130
		2,582,728	2,631,413
Current assets			
Inventories		90,149	90,591
Trade receivables	11	246,851	254,657
Prepayments		196,213	129,580
Other financial assets at amortised cost		1,013,322	986,887
Financial assets at FVTPL		2,000	2,000
Cash and cash equivalents		38,979	53,818
		1,587,514	1,517,533
Current liabilities			
Trade and notes payables	12	258,613	277,923
Deferred revenue		1,539	2,374
Contract liabilities		33,498	54,955
Tax payable		37,404	32,832
Accruals and other payables		229,696	150,889
Bank borrowings		463,000	410,000
		1,023,750	928,523
Net current assets		563,764	589,010
Total assets less current liabilities		3,146,492	3,220,423

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		Unaudited	Audited
		30 June	31 December
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Non-current liabilities			
Bank borrowings		—	75,000
Other payables		16,000	16,000
Deferred revenue		13,416	13,768
Deferred tax liabilities		7,770	8,539
Convertible bonds- liability component	13	291,877	275,684
		<hr/>	<hr/>
Total non-current liabilities		329,063	388,991
		<hr/>	<hr/>
Net assets		2,817,429	2,831,432
		<hr/>	<hr/>
Capital and reserves			
Share capital		21,618	21,618
Reserves		2,795,811	2,809,814
		<hr/>	<hr/>
Total equity attributable to owners of the Company		2,817,429	2,831,432
Non-controlling interests		—	—
		<hr/>	<hr/>
Total equity		2,817,429	2,831,432
		<hr/>	<hr/>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 November 2010. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is engaged in production and sales of water products and beer products in the People's Republic of China (the "PRC"). The Group also provides lending services to third parties in Hong Kong Special Administrative Region ("Hong Kong") with relevant license.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 June 2011.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is different from the Company's functional currency Hong Kong Dollar ("HKD"). The Directors adopted RMB as presentation currency as the operational entities are located in the PRC.

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules. The condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

3.1 New and amended standards adopted by the Group

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

3 ACCOUNTING POLICIES (CONTINUED)

3.1 New and amended standards adopted by the Group (continued)

The application of the amendments to IFRSs and the early application of the amendment in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company, being the chief operating decision maker ("CODM") that are used to make strategic decisions.

(a) Description of segments and principal activities

(i) Water business segment

The principal activities of the Group are manufacturing and selling a range of water products through wholesales in the PRC, selling raw materials and consumables to associates and third parties, leasing production lines and a plant to associates.

(ii) Beer business segment

The Group manufactures and sells a range of beer products mainly in the PRC through wholesales, mostly in Tibet Autonomous Region ("Tibet") for this reporting period.

(b) Segment information disclosures

Sales between segments are based on the agreed terms between both segments. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

The amounts provided to the CODM with respect of total assets and total liabilities are measured in a manner consistent with that of the condensed consolidated financial statements.

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2022 and as at 30 June 2022 is as follows:

	Unaudited			Total <i>RMB'000</i>
	Six months ended 30 June 2022			
	Water business segment <i>RMB'000</i>	Beer business segment <i>RMB'000</i>	Corporate and others <i>RMB'000</i>	
Total segment revenue	30,053	153,794	—	183,847
Cost of sales	(26,566)	(94,771)	—	(121,337)
Gross profit	3,487	59,023	—	62,510
Share of result on investments accounted for using the equity method	(7,699)	—	29	(7,670)
Allowance for ECL on financial assets	(4,734)	(2,953)	—	(7,687)
Adjusted EBITDA*	(12,964)	66,813	(14,120)	39,729
Finance income	12,389	9,159	1,813	23,361
Finance costs	(3,234)	(8,365)	(11,016)	(22,615)
Depreciation and amortisation	(13,030)	(13,728)	(22)	(26,780)
Profit/(loss) before tax	(16,839)	53,879	(23,345)	13,695
Income tax (expenses)/credit	(1,413)	(5,023)	562	(5,874)
Profit/(loss) for the period	(18,252)	48,856	(22,783)	7,821

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

	Unaudited As at 30 June 2022		Total RMB'000
	Water business segment RMB'000	Beer business segment RMB'000	
Segment total assets	4,234,588	2,409,136	6,643,724
– Investments accounted for using the equity method	1,394,004	—	1,394,004
Unallocated			
Financial assets at FVTPL			2,000
Deferred tax assets			4,704
Assets of corporate and others			6,475
Inter-segment elimination			(2,486,661)
Total assets			4,170,242
Segment total liabilities	1,611,221	354,537	1,965,758
Unallocated			
Deferred tax liabilities			7,770
Liabilities of corporate and others			325,020
Inter-segment elimination			(945,735)
Total liabilities			1,352,813

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2021 and as at 31 December 2021 is as follows:

	Unaudited Six months ended 30 June 2021			Total RMB'000
	Water business segment RMB'000	Beer business segment RMB'000	Corporate and others RMB'000	
Total segment revenue	53,912	169,424	—	223,336
Cost of sales	(33,946)	(100,743)	—	(134,689)
Gross profit	19,966	68,681	—	88,647
Share of result on investments accounted for using the equity method	(733)	—	(391)	(1,124)
Reversal of allowance for/ (allowance for) ECL on financial assets	(26,937)	45	—	(26,892)
Adjusted EBITDA*	(21,244)	88,502	(9,675)	57,583
Finance income	30,780	22,511	41	53,332
Finance costs	(475)	(6,782)	(11,350)	(18,607)
Depreciation and amortisation	(11,408)	(27,159)	(118)	(38,685)
Profit/(loss) before tax	(2,347)	77,072	(21,102)	53,623
Income tax (expenses)/credit	(2,581)	(6,787)	348	(9,020)
Profit/(loss) for the period	(4,928)	70,285	(20,754)	44,603

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

* Adjusted EBITDA is a key financial measure regularly monitored by CODM in managing the Group's performance. Adjusted EBITDA is calculated by excluding the following effects from the profit/(loss) for the period: (i) finance (cost)/income, net; (ii) depreciation and amortisation; and (iii) income tax expenses.

Adjusted EBITDA is not accounting measures under IFRS and should not be considered as an alternative to the profit/(loss) for the period as a measure of operational performance. Adjusted EBITDA does not have a standard calculation method and the Group's definition of adjusted EBITDA may not be comparable to that of other companies.

	Audited		
	As at 31 December 2021		
	Water business segment <i>RMB '000</i>	Beer business segment <i>RMB '000</i>	Total <i>RMB '000</i>
Segment total assets	4,260,928	2,415,426	6,676,354
– Investments accounted for using the equity method	1,416,403	—	1,416,403
Unallocated			
Financial assets at FVTPL			2,000
Deferred tax assets			5,000
Assets of corporate and others			6,446
Inter-segment elimination			(2,540,854)
Total assets			<u>4,148,946</u>
Segment total liabilities	1,593,782	399,806	1,993,588
Unallocated			
Deferred tax liabilities			8,539
Liabilities of corporate and others			305,827
Inter-segment elimination			(990,440)
Total liabilities			<u>1,317,514</u>

5 REVENUE

Revenue from external customers are mainly derived from the sales of water products and beer products, interest income from lending services provided and lease of production line and equipment. The Group also sells raw materials and consumables to associates and third parties and leases production lines and a plant to associates. Breakdown of the revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of water products	26,673	50,531
Sales of beer products	153,527	164,554
Sales of raw materials and consumables	276	4,880
	<u>180,476</u>	<u>219,965</u>
Revenue from other sources:		
Rental income	3,371	3,371
	<u>183,847</u>	<u>223,336</u>

6 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants (note)	12,293	17,972
Others	—	74
	<u>12,293</u>	<u>18,046</u>

note:

During the current interim period, the Group recognised government grants of RMB12,293,000 (six months ended 30 June 2021: RMB17,972,000) in respect of government subsidies granted to the Group by the local government authorities in the PRC. These grants are generally made for business support and awarded to enterprises on a discretionary basis.

7 PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	83,230	99,812
Transportation costs	5,340	11,861
Depreciation of PP&E	24,802	27,223
Depreciation of right-of-use assets	365	434
Amortisation of intangible assets	1,613	11,028
Employee benefit expenses	28,557	28,797
Legal and other consulting service fee	4,221	2,360
Advertising and marketing expenditure	1,242	3,248
City construction tax and education surcharge	1,307	2,657
Electricity and other utility expenses	4,581	3,960
Short-term lease expenses	1,881	1,289
Allowance for/(reversal of allowance for) ECL on financial assets		
– Trade receivables	4,468	27,173
– Other financial assets at amortised cost	3,219	(281)

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
PRC Enterprise Income Tax:		
– Current income tax	6,347	7,209
Deferred tax	(473)	1,811

Income tax expense	5,874	9,020
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9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2022 and 2021 is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	7,821	44,603
Weighted average number of shares in issue ('000)	2,533,867	2,503,410

Basic earnings per share (RMB cents)	0.31	1.78
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9 EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share has been adjusted for the convertible bonds issued in March 2021. The calculation is based on the following data::

	Unaudited Six months ended 30 June 2021 RMB'000
Earning	
Profit for the purpose of basic earnings per share	44,603
Effect of dilutive potential ordinary shares:	
Interest on convertible bonds, net of income tax	6,481
	<hr/>
Profit for the purpose of diluted earnings per share	51,084
	<hr/> <hr/>
	Unaudited Six months ended 30 June 2021 ('000)
Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,503,410
Effect of dilutive potential ordinary shares:	
Convertible bonds	512,400
	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,015,810
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No diluted earnings per share for the six months ended 30 June 2022 were presented as the computation of diluted earnings per share does not assume the conversion of the outstanding convertible bonds, since their conversion would result in an increase in earnings per share.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at	
	30 June 2022 <i>RMB'000</i> <i>Unaudited</i>	31 December 2021 <i>RMB'000</i> <i>Audited</i>
At the beginning of the period	1,416,403	650,697
Additions	—	765,698
Share of results	(7,670)	8
Disposal of investments accounted for using the equity method	(1,082)	—
Declaration of dividend	(13,647)	—
	<hr/>	<hr/>
At the end of the period	<u>1,394,004</u>	<u>1,416,403</u>

11 TRADE RECEIVABLES

The credit period is generally 90 to 180 days. The aging analysis of trade receivables based on invoice dates is as follows:

	As at	
	30 June 2022 <i>RMB'000</i> <i>Unaudited</i>	31 December 2021 <i>RMB'000</i> <i>Audited</i>
Within 6 months	21,103	97,392
Over 6 months but within 1 year	82,883	20,578
Over 1 year but within 2 years	72,380	78,878
Over 2 years	165,676	148,532
	<hr/>	<hr/>
	342,042	345,380
Less: allowance for ECL	(95,191)	(90,723)
	<hr/>	<hr/>
	<u>246,851</u>	<u>254,657</u>

12 TRADE AND NOTES PAYABLES

	As at	
	30 June 2022 <i>RMB'000</i> <i>Unaudited</i>	31 December 2021 <i>RMB'000</i> <i>Audited</i>
Trade payables	72,503	77,923
Notes payables	186,110	200,000
	<hr/>	<hr/>
	<u>258,613</u>	<u>277,923</u>

12 TRADE AND NOTES PAYABLES (CONTINUED)

As at 30 June 2022 and 31 December 2021, the aging analysis of trade payables based on invoice dates is as follows:

	As at	
	30 June 2022 RMB'000 Unaudited	31 December 2021 RMB'000 Audited
Within 3 months	2,789	45,211
Over 3 months but within 6 months	24,979	8,218
Over 6 months but within 1 year	29,029	960
Over 1 year but within 2 years	2,631	11,572
Over 2 years	13,075	11,962
	<u>72,503</u>	<u>77,923</u>

As at 30 June 2022 and 31 December 2021, the Group's trade payables were all denominated in RMB and non-interest bearing. The credit period on trade payables are generally within 90 days.

As at 30 June 2022, the bank acceptance notes amounting to approximately RMB186,110,000 (31 December 2021: RMB200,000,000) was guaranteed by bank deposits of approximately RMB26,111,000 (31 December 2021: RMB40,000,000). All bills issued by the Group are with a maturity period of less than 12 months.

13 CONVERTIBLE BONDS – LIABILITY COMPONENT

The Company issued 5% convertible bonds with principal amount of HK\$379,620,000 (equivalent to RMB317,702,000) (the “Convertible Bonds”) in March 2021. The Convertible bonds are denominated in Hong Kong dollars, unsecured and with interest calculated semi-annually. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and the maturity date in March 2024 at a conversion price of HK\$0.74 per share (subject to anti-dilutive adjustments). The bonds can be early redeemed upon certain events at the option of the bondholders or the issuer. If the bonds have not been converted or redeemed, they will be redeemed in March 2024 at par value plus accrued interest.

At initial recognition, the fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is presented in equity heading “other reserve”. The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 7.69%.

During the year ended 31 December 2021, the Convertible Bonds with the principal amount of HK\$22,644,000 (equivalent to RMB19,026,000) was converted into 30,600,000 new shares of the Company at a conversion price of HK\$0.74 per share. No Convertible Bonds were converted during the period ended 30 June 2022.

13 CONVERTIBLE BONDS – LIABILITY COMPONENT (CONTINUED)

The fair value of the liability component of the Convertible Bonds at 30 June 2022 amounted to RMB302,871,000 (2021: RMB278,976,000), which is calculated using cash flows discounted at the rate of 8.37% and are within level 3 of the fair value hierarchy.

The convertible bonds issued in 2021 have been split into the liability and equity components as follows:

	<i>RMB'000</i>
Nominal value of convertible bonds issued in 2021	317,702
Equity component	(22,848)
	<hr/>
Liability component at the issuance date	294,854
Interest expenses	16,591
Interest paid/payable	(11,530)
Conversion of the Convertible Bonds	(17,621)
Exchange alignment	(6,610)
	<hr/>
Liability component at 31 December 2021 (Audited)	275,684
Interest expenses	11,147
Interest paid/payable	(7,632)
Exchange alignment	12,678
	<hr/>
Liability component at 30 June 2022 (Unaudited)	<u>291,877</u>

14 DIVIDENDS

No dividends were paid, declared or proposed during the period ended 30 June 2022 (six months ended 30 June 2021: Nil). The directors of the Company have determined that no dividend will be paid in respect of the period ended 30 June 2022 (six months ended 30 June 2021: Nil).

15 EVENTS AFTER THE REPORTING PERIOD

On 21 July 2022, the Company completed the placing of new shares under general mandate. A total of 459,898,000 placing shares have been successfully placed to not less than six placees at the placing price of HK\$0.425 per placing share. The use of net proceeds for this placing is for repayment of the external debts and for general working capital of the Group. Further details were set out in the announcements of the Company dated 24 June 2022 and 21 July 2022 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, the Group continued to be committed to the development of Tibet's water resources industry and beer industry, strived to enhance customer experience and optimized channel construction so that Tibet's unique and quality products could reach more consumers and potential consumers.

In the first half of 2022, with COVID-19 (Coronavirus) continuing to spread in Mainland China and in Hong Kong, the sales of the Group's water products in key market channels such as airlines, cinemas, hotels, entertainment and restaurants were severely disrupted by massive extended regional lock downs in Mainland China such as three months' lockdown in Shanghai, and several new waves of outbreak in Chengdu. The resulting logistics and other supply chain disruptions have caused the timely supply of the Group's products very difficult. The Group's beer business mainly conducts sales in the Tibetan region. Although the pandemic in Tibet was under better control until August 2022, the decline in the number of tourists entering Tibet also caused the sales and development of the Group's beer industry to fall short of the expected growth targets, with the sales volume and sales amount of beer in the first half of 2022 decreased slightly compared to the first half of 2021.

In the first half of 2022, the Group's bank financing in Tibet remained stable. After the successful issuance of convertible bonds with a principal amount of approximately HK\$380 million (equivalent to RMB318 million) last year, the Company announced a placing of new shares in June 2022 with a successful completion in July 2022, raising a net amount of approximately HK\$194 million (equivalent to approximately RMB167 million). On the other hand, the Group is also actively negotiating with potential strategic partners to bring in new channel resources based on the Group's premium water resources to generate new revenue and cash flow for the Group's water business and beer business, and the relevant work is currently in progress. The management of the Group believes that although the impact of the pandemic has caused great disturbance, the Group will be able to cope with the challenges and usher in new development by consolidating the Group's resources and making efforts to adjust.

FINANCIAL REVIEW

REVENUE ANALYSIS

In the first half of 2022, due to the reasons mentioned in the "Business Review" section above, the total revenue of the Group amounted to RMB184 million, representing a decrease of 17.7% in comparison with the first half of 2021.

The revenue generated from our water business segment was RMB30 million, representing a decrease of 44.3% in comparison with the first half of 2021. As mentioned above, due to the impact of the COVID-19 pandemic on the important sales channels of the water business segment, the sales of water products have declined significantly, and gross profit has also dropped due to smaller scale of sales.

For the beer business segment, the year over year change is as follow:

	The first half of 2022	The first half of 2021	% change
Volume (hectoliter)	215,181	224,193	↓ 4.0%
Revenue (RMB'000)	153,794	169,424	↓ 9.2%
Adjusted EBITDA* (RMB'000)	66,813	88,502	↓ 24.5%

* Adjusted EBITDA is not an accounting measure under IFRSs which should be read in conjunction with Note 4(b).

In the first half of 2022, the overall gross profit margin of the Group was 34.0%, which decreased by 5.7 percentage points when compared to the first half of 2021. The gross profit margin of the water business segment was 11.6%, which decreased by 25.4 percentage points when compared to the first half of 2021, mainly due to a higher fixed cost allocated based on a smaller sales volume, as well as a decrease in the average selling price. The gross profit margin of the beer business segment was 38.4% in the first half of 2022, which decreased by 2.1 percentage points when compared to the first half of 2021, mainly due to a slight drop in the average selling price from a different product mix.

SELLING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

In the first half of 2022, the selling and distribution costs decreased by approximately 58.6% to RMB12 million from RMB29 million in the first half of 2021, mainly due to the decrease in water sales volumes, leading to lower transportation costs and promotion fees. The overall decrease was also due to less amortisation expense of intangible assets as a result of certain acquisition related intangible assets for the beer segment having been fully amortised. The administrative expenses increased by approximately 9.7% from RMB31 million in the first half of 2021 to RMB34 million in the first half of 2022, mainly due to the increase in product development costs for new beer product.

ALLOWANCE FOR ECL ON FINANCIAL ASSETS

Allowance for ECL on financial assets mainly included the allowance for ECL on trade receivables and other financial assets at amortised cost. The allowance for ECL on trade receivables was RMB4 million in the first half of 2022. The allowance for ECL on other financial assets at amortised cost was RMB3 million in the first half of 2022.

OTHER GAINS, NET

In the first half of 2022, other gains, net was RMB12 million, representing a decrease of RMB6 million in government grants compared to the same period last year.

FINANCE INCOME, NET

In the first half of 2022, the Group incurred finance costs of approximately RMB22 million and gained finance income of RMB23 million. Compared with the first half of 2021, the financial costs increased by RMB4 million. It is mainly because the Company only started to recognise the interest expense of the Convertible Bonds in March 2021, while in the first half of 2022, interest expense for six months was recognised. Finance income decreased by RMB30 million, mainly due to the accrual at a higher annual interest rate on other receivables from loan to third parties in the first half of 2021.

SHARE OF RESULT ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In the first half of 2022, the share of loss on investments accounted for using the equity method was RMB8 million (in the first half of 2021: RMB1 million). The increase was mainly due to the combined share of loss of associated companies, whose losses all increased due to lower sales volumes for the similar reasons above for our water business segment.

INCOME TAX EXPENSE

In the first half of 2022, the income tax expense was RMB6 million which decreased by RMB3 million when compared to RMB9 million in the first half of 2021. This was mainly due to the decrease in profit.

PROFIT FOR THE HALF YEAR

For the reasons mentioned above, in the first half of 2022, the profit for the half year was RMB8 million, which decreased by RMB37 million when compared to RMB45 million in the first half of 2021.

OTHER FINANCIAL POSITIONS

As at 30 June 2022, net trade receivables of the Group amounted to RMB247 million compared to RMB255 million as at 31 December 2021.

The Group maintained regular contact with our major debtors through meetings and telephone conversations and paid regular attention to public information about our major debtors to understand the status of their operations, their continuing business needs and the ways in which the Group can improve its services. As at 30 June 2022, allowance for ECL on trade receivables was RMB95 million.

As at 30 June 2022, prepayments of the Group amounted to RMB204 million compared to RMB138 million as at 31 December 2021. The increase was mainly due to the increase in prepayment for purchasing raw materials and project.

As at 30 June 2022, other financial assets at amortised cost, net of allowance for ECL of the Group amounted to RMB1,013 million compared to RMB987 million as at 31 December 2021. The increase was mainly due to interest accrual for loans to third parties of RMB22 million. As at 30 June 2022, allowance for ECL on other financial assets at amortised cost amounted to approximately RMB30 million.

As at 30 June 2022, contract liabilities of the Group amounted to RMB33 million compared to RMB55 million as at 31 December 2021. The decrease was mainly due to the decrease in advances received from customers of the sales of water and beer products.

As at 30 June 2022, accruals and other payables of the Group amounted to RMB246 million compared to RMB167 million as at 31 December 2021. The increase was mainly due to the increase in borrowing from third parties.

As at 30 June 2022, the bank borrowings and bank acceptance notes of the Group decreased by RMB36 million, which was mainly because the net repayment of principal of bank borrowings and said notes payables in the first half of 2022.

As at 30 June 2022, the liability component of the Convertible Bonds issued by the Company amounted to RMB292 million, compared to RMB276 million as at 31 December 2021. In March 2021, the Company issued the Convertible Bonds with principal amount of approximately HK\$380 million (equivalent to RMB318 million) bearing interest at the rate of 5.0% per annum. Further details of the Convertible Bonds are set out in Note 13 to the condensed consolidated financial statements of this announcement.

EMPLOYEES

As at 30 June 2022, the total number of employees of the Group was 371 compared to 399 as at 30 June 2021. Relevant staff cost of the Group was RMB29 million in the first half of 2022 (in the first half of 2021: RMB29 million).

The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive. Other fringe benefits, training, and share options, if applicable, are also considered by the Group to solicit/retain loyal employees with the aim of forming a professional and united staff and management team that can bring the Group to higher levels of achievements.

The Group provided diversified on-the-job training in the production plants based on the needs of the respective positions and talents of the employees on a timely basis. The Group also encouraged the management staff to participate in continuous professional development trainings which are relevant to their professions. Apart from induction training, the Company provides updates to the Directors and senior management on the latest development regarding the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and other applicable regulatory requirements from time to time, to ensure their compliance with and to enhance their awareness of good corporate governance practices. These include attending in-house training, seminars, reading handouts, newspapers, journals, the Group's news, industry news, etc.

The Group adopted a share award scheme in 2017. Up to 30 June 2022, no share has been granted by the Group to any parties under the share award scheme.

GEARING RATIO

The gearing ratio is calculated as borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties) divided by total capital. The total capital is calculated as “equity” as shown in the condensed consolidated statement of financial position plus borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties). As at 30 June 2022 and 31 December 2021, the gearing ratios of the Group were 23.41% and 21.29%, respectively.

MERGER AND ACQUISITION

There was no merger and acquisition transaction in the first half of 2022.

SIGNIFICANT INVESTMENTS

In the first half of 2022, the Group acquired PP&E of RMB1 million (the first half of 2021: RMB1 million). Regarding the future development and outlook of the Group, please refer to the section headed “Outlook” in this “Management Discussion and Analysis” section.

CAPITAL COMMITMENTS

As at 30 June 2022, the Group had committed to purchasing PP&E of approximately RMB44 million (31 December 2021: RMB45 million), and equity investment was nil (31 December 2021: RMB16 million). The funding sources related to these commitments are expected to be disbursed from the Group’s own capital.

CHARGES (OR PLEDGES)

As at 30 June 2022, (i) a bank loan with a remaining balance of RMB100 million and bank acceptance note of RMB75 million of the Group were secured by the pledge of 35% of equity interest in Tibet Tiandi Green Beverage Development Co., Ltd. (“**Tiandi Green**”) and 7% of Highland Natural Water’s equity interests Water’s equity interest; (ii) a bank loan with a remaining balance of RMB100 million of the Group was secured by the pledge of 15% of Highland Natural Water’s equity interests; (iii) a bank loan with a remaining balance of RMB90 million of the Group was secured by land use rights of a third party of the Group; (iv) a bank loan with a remaining balance of RMB100 million of the Group was secured by the pledge of 20% of Shannan Yalaxiangbu’s equity interests; and (v) a bank loan with a remaining balance of RMB73 million of the Group was secured by the Group’s factory plant with net book value of RMB48 million and land use rights with net book value of RMB27 million.

As at 30 June 2022, the bank acceptance notes amounting to RMB186 million were guaranteed by bank deposits of RMB26 million.

CONTINGENT LIABILITIES

The Group provided financial guarantee net amounted to RMB275 million to an associate as at 30 June 2022. As at 30 June 2022, the guarantee was provided for bank borrowings obtained by the associate in the net amount of RMB145 million and for bank acceptance note in the net amount of RMB130 million. The period of the guarantee for net amount RMB160 million is from 26 October 2021 to 25 October 2022. The period of the remaining guarantee amounting to RMB115 million is from 15 July 2021 to 15 July 2024.

FOREIGN EXCHANGE RISK

The Group adopts a conservative approach to cash management and risk control. The Group mainly operates in the PRC with most of its business transactions denominated in RMB. However, the Group is exposed to foreign exchange risk arising from its cash exchange transactions, which are primarily denominated in HKD. To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the first half of 2022, management of the Group did not consider it necessary to enter into any hedging transactions in order to reduce the exposure to foreign exchange risk because the exposure, after netting off the assets and liabilities subject to foreign exchange risk, was not significant.

PRODUCTION CAPACITY

In the first half of 2022, the expected annual water production capacity and annual beer production capacity are approximately 300,000 tonnes and 2,000,000 hectoliter respectively, same as in 2021. The Group will assess its production capacity periodically and consider increasing production capacity to meet the demands of future development.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 30 June 2011 with net proceeds from the global offering of approximately HKD1,472 million (including proceeds from the exercise of over-allotment option and after deducting underwriting commissions and related expenses). On 10 April 2013, the Company resolved to change the usage of the net proceeds from the global offering. Please refer to the Company's announcement dated 10 April 2013 for details. The net proceeds has been fully utilised as at 31 December 2021. Please refer to the Company's announcement dated 12 August 2022 for details.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

OUTLOOK

Water Business Segment

The Group will continue to make full use of its existing advantages in resources, sales channels and logistics network to solidify and strengthen its important strategic position in the Tibetan water industry.

The Group will continue to invest significant resources to strengthen its strategic cooperation efforts with China Petroleum & Chemical Co., Ltd. and PetroChina Company Limited and leverage on the quality water sources and production advantages of the two companies, Highland Natural Water and Shannan Yalaxiangbu, as well as the brand influence and strong sales network of EASY JOY (易捷) and uSmile Convenience Store (昆仑好客便利店), so that more customers will be aware of and exposed to the Group's products.

The Group will strengthen its sales and logistics cooperation with different key platforms such as JD.com to accelerate the development of the Group's products in e-commerce channels, and the Group will also seek and establish more strategic cooperation in emerging areas such as community consumption to make the Group's sales model more diversified and enable its products to reach more customers, so that good Tibetan water can reach thousands of households and may more people drink better water.

The Group will continue to maintain and develop the premium brand positioning and brand advantages of "5100 Glacial Mineral Water", and continue to enhance its brand image and influence by combining marketing and promotional activities with existing resources in key target channels such as cinemas, hotels, airlines, e-commerce platforms, office and home users.

Beer Business Segment

While stabilising and strengthening the development of the local Tibetan market, the Group will increase its resources allocation in capacity improvement, new product research and development, and channel and marketing development. The Group strives to organically combine our specialty barley beers with Tibetan history and culture, and to promote products outside of Tibet through cultural tourism and the export of our specialty creative products to further enhance the market exposure and recognition of our products. The Group believes that as the impact of the pandemic subsides, our beer business segment will continue to face strong market demand and bring new market opportunities for the Group.

Subsequent to 30 June 2022, COVID-19 outbreak has expanded into Tibetan region, in addition to Sichuan province and other parts of Mainland China. Climate change has also caused severe drought, record heat waves and electricity outage in certain parts of China, which may indirectly cause negative impact on the Group's business results for the second half of 2022.

EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 15 to the condensed consolidated financial statements on page 16 of this announcement for the Company's placing of new shares under general mandate.

CORPORATE GOVERNANCE PRACTICES

For the first half of 2022, the Company has complied with the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules, save for following deviations.

Under Code Provision C.1.6 of the Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. TANG Zeping, an independent non-executive Director, did not attend the extraordinary general meeting of the Company held on 25 May 2022 and the annual general meeting of the Company held on 30 June 2022 in light of his retirement as mentioned in the announcements of the Company dated 23 June 2022 and 24 June 2022 respectively. Mr. DAI Yang, an independent non-executive Director, did not attend the annual general meeting of the Company held on 30 June 2022 in light of his retirement. Ms. JIANG Xiaohong, a non-executive Director, was unable to attend the annual general meeting held on 30 June 2022 as she was obliged to be away for the Group’s other matters.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that each of them has complied with the Model Code for the first half of 2022. Specific employees who are likely to be in possession of inside information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance has been noted by the Company.

The Audit Committee, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group, and has reviewed the interim results for the first half of 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

For the first half of 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

CHANGES OF DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The changes of Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the annual report of the Company for the year ended 31 December 2021 are set out below:

Mr. LO Wai Hung, an independent non-executive Director, resigned as an independent non-executive director of Shandong Weigao Group Medical Polymer Company Ltd (stock code: 1066) with effect from 6 June 2022.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules, the 2022 interim report of the Company will set out, including but not limited to, all information disclosed in the interim results announcement for the first half of 2022 and will be despatched to the shareholders of the Company and uploaded on the websites of the Company (<http://www.twr1115.net>) and the Stock Exchange (<http://www.hkexnews.hk>) in due course.

By order of the Board
Tibet Water Resources Ltd.
Dr. Zhang Chunlong

Chairman and independent non-executive Director

Hong Kong, 30 August 2022

As of the date of this announcement, the executive Directors are Mr. YAN Qingjiang, Mr. CHOW Wai Kit and Mr. CHENG Gwan Sing, the non-executive Directors are Ms. JIANG Xiaohong, Mr. XIE Kun and Mr. WEI Zhe Ming and the independent non-executive Directors are Dr. ZHANG Chunlong (Chairman), Mr. LO Wai Hung and Ms. LIN Ting.