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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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | Change % |
|--|------------------------|--------------------------|--------------|
| | 2023 (RMB'000) | 2022 (RMB'000) | |
| Revenue | 314,428 | 311,947 | ↑ 0.8% |
| Operating loss | (83,387) | (83,984) | ↓ 0.7% |
| Adjusted EBITDA* | (24,612) | (34,672) | ↓ 29.0% |
| Loss for the year attributable to owners of the Company | (352,867) | (102,466) | ↑ 244.4% |
| Loss per share | | | |
| - Basic and diluted (RMB cents) | (8.97) | (3.69) | ↑ 143.1% |
| Gross profit margin | 24.7% | 29.1% | ↓ 4.4% point |
| | | As at 31 December | |
| | | 2023 | 2022 |
| | | (RMB'000) | (RMB'000) |
| Total assets | | 3,985,556 | 4,140,133 |
| Equity attributable to owners of the Company | | 2,855,761 | 2,859,460 |

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

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tibet Water Resources Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023, together with comparative figures prepared under IFRSs.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

| | <i>Notes</i> | 2023 <i>RMB'000</i> | 2022 <i>RMB'000</i> |
|---|--------------|-------------------------------|------------------------|
| Revenue | 5 | 314,428 | 311,947 |
| Cost of sales | | (236,814) | (221,063) |
| Gross profit | | 77,614 | 90,884 |
| Selling and distribution costs | | (50,254) | (29,765) |
| Administrative expenses | | (88,972) | (74,947) |
| Allowance for expected credit loss (“ ECL ”) on financial assets | | (36,942) | (88,617) |
| Other gains, net | 6 | 15,167 | 18,461 |
| Operating loss | | (83,387) | (83,984) |
| Finance cost, net | 7 | (2,118) | (2,439) |
| Share of result on investments accounted for using the equity method | 12 | (263) | (10,694) |
| Impairment loss on investments accounted for using the equity method | 12 | (261,145) | — |
| Loss before income tax | | (346,913) | (97,117) |
| Income tax expense | 8 | (5,954) | (5,349) |
| Loss for the year | 9 | (352,867) | (102,466) |
| Loss for the year attributable to owners of the Company | | (352,867) | (102,466) |
| Loss per share attributable to owners of the Company – basic and diluted (RMB cents) | 10 | (8.97) | (3.69) |

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|-------|-------------------------|-------------------------|
| Loss for the year | 9 | <u>(352,867)</u> | <u>(102,466)</u> |
| Other comprehensive income/(loss): | | | |
| <i>Item that will not be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation from functional currency to presentation currency | | <u>13,802</u> | <u>(36,512)</u> |
| Other comprehensive income/(loss) for the year, net of tax | | <u>13,802</u> | <u>(36,512)</u> |
| Total comprehensive loss for the year | | <u><u>(339,065)</u></u> | <u><u>(138,978)</u></u> |
| Total comprehensive loss attributable to owners of the Company | | <u><u>(339,065)</u></u> | <u><u>(138,978)</u></u> |

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

| | <i>Notes</i> | 2023 | 2022 |
|---|--------------|------------------|------------------|
| | | RMB'000 | RMB'000 |
| Non-current assets | | | |
| Right-of-use assets | | 27,779 | 27,126 |
| Property, plant and equipment (“PP&E”) | | 332,894 | 372,543 |
| Intangible assets | | 24,679 | 27,890 |
| Goodwill | | 721,139 | 721,139 |
| Investments accounted for using the equity method | 12 | 1,215,508 | 1,443,916 |
| Deferred tax assets | | 2,143 | 4,570 |
| Prepayments | | 4,756 | 8,057 |
| | | <u>2,328,898</u> | <u>2,605,241</u> |
| Total non-current assets | | | |
| Current assets | | | |
| Inventories | | 118,730 | 106,538 |
| Trade receivables | 13 | 181,898 | 190,499 |
| Loan receivables | 14 | 75,369 | — |
| Prepayments | | 251,938 | 199,480 |
| Other financial assets at amortised cost | | 1,006,965 | 980,228 |
| Cash and cash equivalents | | 21,758 | 58,147 |
| | | <u>1,656,658</u> | <u>1,534,892</u> |
| Total current assets | | | |
| Current liabilities | | | |
| Trade and notes payables | 15 | 153,940 | 246,918 |
| Deferred revenue | | 2,374 | 2,374 |
| Contract liabilities | | 17,061 | 34,784 |
| Tax payable | | 31,526 | 36,258 |
| Accruals and other payables | | 160,862 | 180,532 |
| Bank borrowings | | 372,500 | 452,000 |
| Convertible bonds – liability component | 16 | 321,354 | — |
| Lease liabilities | | 1,110 | 730 |
| | | <u>1,060,727</u> | <u>953,596</u> |
| Total current liabilities | | | |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

| | <i>Notes</i> | 2023 | 2022 |
|---|--------------|-------------------------|------------------|
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Net current assets | | <u>595,931</u> | <u>581,296</u> |
| Total assets less current liabilities | | <u>2,924,829</u> | <u>3,186,537</u> |
| Non-current liabilities | | | |
| Bank borrowings | | 54,000 | — |
| Deferred revenue | | 9,019 | 11,394 |
| Deferred tax liabilities | | 4,977 | 6,929 |
| Lease liabilities | | 1,072 | 58 |
| Convertible bonds – liability component | 16 | <u>—</u> | <u>308,696</u> |
| Total non-current liabilities | | <u>69,068</u> | <u>327,077</u> |
| Net assets | | <u>2,855,761</u> | <u>2,859,460</u> |
| Capital and reserves | | | |
| Share capital | 17 | 34,388 | 25,580 |
| Reserves | | <u>2,821,373</u> | <u>2,833,880</u> |
| Total equity attributable to owners of the Company | | <u>2,855,761</u> | <u>2,859,460</u> |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 ("PRC") and provision of lending services to third parties in 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 consolidated financial statements are presented in Reminbi ("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 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|--|--|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS17) | Insurance Contracts |
| Amendments to IAS1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendment to IAS 8 | Definition of Accounting Estimates |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to IAS 12 | International Tax Reform— Pillar Two Model Rules |

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

Amendments to IFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|----------------------------------|--|
| Amendments to IFRS 10 and IAS 28 | Sale of Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current ² |
| Amendments to IAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to IAS 7 and IFRS 7 | Supplier Finance Arrangements ² |
| Amendments to IAS 21 | Lack of Exchangeability ³ |

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of the all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the financial assets at fair value through profit and loss (“FVTPL”) and the financial assets at fair value through other comprehensive income (“FVTOCI”), as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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 quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports regularly reviewed by the executive Directors, 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, and leasing production lines to associates.

(ii) *Beer business segment*

The Group manufactures and sells a range of beer products mainly in the PRC through wholesales.

(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 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 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 year ended 31 December 2023 is as follows:

| | Water business segment <i>RMB'000</i> | Beer business segment <i>RMB'000</i> | Corporate and others <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|---|--|---|---------------------------------|
| Total segment revenue | 87,066 | 223,169 | 4,193 | 314,428 |
| Cost of sales | (78,109) | (158,705) | — | (236,814) |
| Gross profit | <u>8,957</u> | <u>64,464</u> | <u>4,193</u> | <u>77,614</u> |
| Share of result on investments accounted for using the equity method | (263) | — | — | (263) |
| Allowance for ECL on financial assets | (30,902) | (4,285) | (1,755) | (36,942) |
| Adjusted EBITDA* | (56,278) | 58,523 | (26,857) | (24,612) |
| Impairment loss on investments accounted for using the equity method | (261,145) | — | — | (261,145) |
| Finance income | 24,335 | 12,083 | 1,068 | 37,486 |
| Finance costs | (6,045) | (2,751) | (30,808) | (39,604) |
| Depreciation and amortisation | (22,741) | (35,286) | (1,011) | (59,038) |
| (Loss)/profit before tax | (321,874) | 32,569 | (57,608) | (346,913) |
| Income tax (expense)/credit | (2,427) | (4,868) | 1,341 | (5,954) |
| (Loss)/profit for the year | <u>(324,301)</u> | <u>27,701</u> | <u>(56,267)</u> | <u>(352,867)</u> |
| | | Water business segment <i>RMB'000</i> | Beer business segment <i>RMB'000</i> | Total <i>RMB'000</i> |
| Segment total assets | | 3,988,940 | 2,545,158 | 6,534,098 |
| – Investments accounted for using the equity method | | 1,215,508 | — | 1,215,508 |
| Unallocated | | | | |
| Deferred tax assets | | | | 2,143 |
| Assets of corporate and others | | | | 93,049 |
| Inter-segment elimination | | | | (2,643,734) |
| Total assets | | | | <u>3,985,556</u> |
| Segment total liabilities | | 1,406,148 | 437,311 | 1,843,459 |
| Unallocated | | | | |
| Deferred tax liabilities | | | | 4,977 |
| Liabilities of corporate and others | | | | 396,029 |
| Inter-segment elimination | | | | (1,114,670) |
| Total liabilities | | | | <u>1,129,795</u> |

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2022 is as follows:

| | Water business segment <i>RMB '000</i> | Beer business segment <i>RMB '000</i> | Corporate and others <i>RMB '000</i> | Total <i>RMB '000</i> |
|---|--|---|--|--------------------------|
| Total segment revenue | 65,505 | 246,442 | — | 311,947 |
| Cost of sales | (58,186) | (162,877) | — | (221,063) |
| Gross profit | 7,319 | 83,565 | — | 90,884 |
| Share of result on investments accounted for using the equity method | (10,194) | — | (500) | (10,694) |
| Allowance for ECL on financial assets | (87,173) | (1,260) | (184) | (88,617) |
| Adjusted EBITDA* | (102,947) | 93,037 | (24,762) | (34,672) |
| Finance income | 21,925 | 12,942 | 335 | 35,202 |
| Finance costs | (6,071) | (3,171) | (28,399) | (37,641) |
| Depreciation and amortisation | (24,221) | (35,112) | (673) | (60,006) |
| (Loss)/profit before tax | (111,314) | 67,696 | (53,499) | (97,117) |
| Income tax (expense)/credit | (430) | (6,105) | 1,186 | (5,349) |
| (Loss)/profit for the year | (111,744) | 61,591 | (52,313) | (102,466) |

* 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 year: (i) impairment losses on investments accounted for using the equity; (ii) finance (cost)/income, net; (iii) depreciation and amortization and (iv) income tax (expense)/credit.

Adjusted EBITDA is not an accounting measure under IFRS and should not be considered as an alternative to the profit/(loss) for the year 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.

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

Adjusted EBITDA is not an accounting measure under IFRSs and should not be considered as an alternative to the profit/(loss) for the year 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.

| | Water business | Beer business | |
|---|-----------------------|----------------------|------------------|
| | segment | segment | Total |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Segment total assets | 4,178,048 | 2,428,238 | 6,606,286 |
| – Investments accounted for using the equity method | 1,443,916 | — | 1,443,916 |
| Unallocated | | | |
| Deferred tax assets | | | 4,570 |
| Assets of corporate and others | | | 28,982 |
| Inter-segment elimination | | | (2,499,705) |
| Total assets | | | <u>4,140,133</u> |
| Segment total liabilities | 1,516,615 | 351,649 | 1,868,264 |
| Unallocated | | | |
| Deferred tax liabilities | | | 6,929 |
| Liabilities of corporate and others | | | 369,637 |
| Inter-segment elimination | | | (964,157) |
| Total liabilities | | | <u>1,280,673</u> |

Entity-Wide information

Breakdown of total revenue by category is shown in Note 5.

Revenue from external customers of the Group were all derived in the PRC and Hong Kong for the years ended 31 December 2023 and 2022.

Non-current assets are all located in the PRC and Hong Kong as at 31 December 2023 and 2022.

4. SEGMENT INFORMATION (CONTINUED)

(c) Information about major customers

Revenue from customers over 10% of the Group's total revenue is as follows:

| | Year ended 31 December | |
|-------------|------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Customer A* | N/A [^] | 83,843 |
| Customer B* | 125,736 | 75,903 |
| Customer C* | 46,461 | N/A [#] |
| | 46,461 | N/A [#] |

* Revenue from beer business segment

Revenue from this customer amounts to less than 10% of the Group's total revenue in 2022

[^] Revenue from this customer amounts to less than 10% of the Group's total revenue in 2023

During the year ended 31 December 2023, sales of approximately RMB 18,086,000 (2022: RMB18,230,000) and RMB 292,000 (2022: RMB1,315,000) are derived from associates in the water business segment and beer business segment respectively.

5. REVENUE

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

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue from contracts with customers: | | |
| <i>Recognised at a point in time</i> | | |
| Sales of water products | 79,935 | 58,761 |
| Sales of beer products | 222,682 | 245,982 |
| Sales of raw materials and consumables | 874 | 460 |
| | 303,491 | 305,203 |
| Revenue from other source: | | |
| Rental income | 6,744 | 6,744 |
| Interest income from lending services provided | 4,193 | — |
| | 4,193 | — |
| Total | 314,428 | 311,947 |

6. OTHER GAINS, NET

| | Year ended 31 December | |
|---|------------------------|---------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Other (losses)/gains | | |
| Government grants | | |
| – Amortisation of deferred income | 2,374 | 2,374 |
| – Other government grant (note (a)) | 10,187 | 16,951 |
| Fair value changes on financial assets at FVTPL | — | (2,000) |
| Write-down of inventories | (436) | (675) |
| Gain on disposal of investments accounted for using the equity methods | — | 1,780 |
| Gain on disposal of PP&E | 127 | — |
| Loss on deregistration of investments accounted for using the equity method | — | (43) |
| Additional deduction of input value-added tax (“VAT”) (note (b)) | 1,132 | — |
| Others | 1,783 | 74 |
| | <u>15,167</u> | <u>18,461</u> |

notes:

- (a) Other government grant represents various forms of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to enterprises on a discretionary basis. There are no unfulfilled conditions or contingencies relating to these grants.
- (b) According to Announcement [2023] No. 43 of the Ministry of Finance and the State Taxation Administration of PRC, with effect from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct additional 5% of the current deductible input VAT from the VAT payable. One subsidiary of the Group is qualified for such additional input VAT deduction.

7. FINANCE COST, NET

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Foreign exchange loss net | (6,001) | — |
| Interest costs on bank borrowings | (8,415) | (9,618) |
| Interest costs on convertible bonds (Note 16) | (24,165) | (22,504) |
| Interest costs on borrowings from third parties | (920) | (5,475) |
| Interest costs on lease liabilities | (103) | (44) |
| | <u>(39,604)</u> | <u>(37,641)</u> |
| Finance cost | (39,604) | (37,641) |
| Finance income – interest income | 37,486 | 35,202 |
| | <u>(2,118)</u> | <u>(2,439)</u> |
| Finance cost, net | (2,118) | (2,439) |

8. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

| | Year ended 31 December | |
|----------------------------|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| PRC Enterprise Income Tax: | | |
| Current tax | 5,491 | 6,729 |
| Deferred tax | 463 | (1,380) |
| | <hr/> | <hr/> |
| Income tax expense | 5,954 | 5,349 |
| | <hr/> <hr/> | <hr/> <hr/> |

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Auditor's remuneration | | |
| – Audit services | 2,066 | 1,973 |
| – Non-audit services | 180 | 172 |
| Raw materials and consumables used | 177,915 | 140,585 |
| Amortisation of intangible assets | 3,211 | 3,230 |
| Depreciation of PP&E | 53,739 | 55,525 |
| Depreciation of right-of-use assets | 2,088 | 1,251 |
| Short-term lease expenses | 1,068 | 1,710 |
| Employee benefit expenses | 77,484 | 67,754 |
| Advertising and marketing expenditure | 15,574 | 2,520 |
| City construction tax and education surcharge | 1,956 | 1,090 |
| Electricity and other utility expenses | 8,993 | 9,368 |
| Legal and other consulting services fee | 14,925 | 11,127 |
| Transportation costs | 21,439 | 15,653 |
| Allowance for ECL on financial assets: | | |
| – Trade receivables | 23,685 | 86,643 |
| – Loan receivables | 1,357 | — |
| – Other financial assets at amortised cost | 11,900 | 1,974 |
| | <hr/> <hr/> | <hr/> <hr/> |

10. LOSS PER SHARE

(a) Basic loss per share

As at 31 December 2023 and 2022, basic loss per share is based on the following data:

| | Year ended 31 December | |
|--|------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Loss attributable to owners of the Company | <u>(352,867)</u> | <u>(102,466)</u> |

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| Weighted average number of ordinary shares in issue (thousands) | <u>3,935,510</u> | <u>2,774,762</u> |

Note:

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2022 has been adjusted retrospectively for the effects of the rights issue of shares completed on 30 January 2023.

(b) Diluted loss per share

Diluted loss per share for years ended 31 December 2023 and 2022 were the same as basic loss per share as the outstanding convertible bonds had anti-dilutive effect on the basic earnings per share.

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

| | 2023 | 2022 |
|--|------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Balance at 1 January | 1,443,916 | 1,416,403 |
| Additions (note (a)) | 33,000 | 54,000 |
| Share of results | (263) | (10,694) |
| Declaration of dividend | — | (490) |
| Deregistration of investment accounted for using the equity method | — | (1,083) |
| Disposal of investment accounted for using the equity method | — | (14,220) |
| Impairment loss recognised (note (b)) | (261,145) | — |
| | <hr/> | <hr/> |
| Balance at 31 December | <u>1,215,508</u> | <u>1,443,916</u> |

notes:

- (a) In December 2023, the Group's acquired 11% equity interests in Tibet Life Water Marketing Co., Ltd. ("**Tibet Life Water Marketing**"), a company incorporated in the PRC with other limited liability, at a consideration of RMB33,000,000. Taking into consideration of the acquisition, a goodwill of approximately RMB27,339,000 has been identified in the investment in Tibet Life Water Marketing.
- (b) Management performed impairment analysis for the investment in Tibet Shannan Yalaxiangbu Industrial Ltd. ("**Shannan Yalaxiangbu**"). The recoverable amount of the investment is determined based on value-in-use calculations. Management assessed the recoverable amount and recognised an impairment loss of approximately RMB261,145,000 (2022: nil).

13. TRADE RECEIVABLES

| | As at 31 December | |
|--|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables due from third parties | 265,320 | 284,598 |
| Less: allowance for ECL | (83,422) | (94,099) |
| | <hr/> | <hr/> |
| | <u>181,898</u> | <u>190,499</u> |

13. TRADE RECEIVABLES (CONTINUED)

As at 31 December 2023 and 2022, the Group's trade receivables due from third parties were all denominated in RMB. The credit period is generally 90 to 180 days. The aging analysis of trade receivables based on invoice dates is as follows:

| | As at 31 December | |
|---------------------------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 6 months | 95,281 | 53,607 |
| Over 6 months but within 1 year | 22,400 | 15,498 |
| Over 1 year but within 2 years | 41,765 | 94,717 |
| Over 2 years | 105,874 | 120,776 |
| | <u>265,320</u> | <u>284,598</u> |
| Less: allowance for ECL | (83,422) | (94,099) |
| | <u>181,898</u> | <u>190,499</u> |

14. LOAN RECEIVABLES

The carrying amount of loan receivables from money lending business of the Group was as follows:

| | As at 31 December | |
|---|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Loan receivable arising from money lending business | 76,726 | — |
| Less: allowance for ECL | (1,357) | — |
| | <u>75,369</u> | <u>—</u> |

As at 31 December 2023, loan receivables are unsecured, interest-bearing at fixed rates ranging from 7%-8% per annum.

The maturity profile of the loan receivables, net of allowance for ECL, if any, at the end of the reporting period, analysed by the remaining period to its contracted maturity, is as follows:

| | As at 31 December | |
|---------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 1 year | <u>75,369</u> | <u>—</u> |

During the year ended 31 December 2023, allowance for ECL of RMB1,357,000 was recognised in respect of loan receivables (2022: Nil).

15. TRADE AND NOTES PAYABLES

| | As at 31 December | |
|----------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 42,840 | 68,338 |
| Notes payables | 111,100 | 178,580 |
| | <u>153,940</u> | <u>246,918</u> |

As at 31 December 2023 and 2022, the aging analysis of trade payables based on invoice dates is as follows:

| | As at 31 December | |
|-----------------------------------|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 3 months | 18,834 | 41,407 |
| Over 3 months but within 6 months | 6,588 | 4,539 |
| Over 6 months but within 1 year | 3,400 | 4,957 |
| Over 1 year but within 2 years | 5,071 | 4,102 |
| Over 2 years | 8,947 | 13,333 |
| | <u>42,840</u> | <u>68,338</u> |

As at 31 December 2023 and 2022, the Group's trade payables were all denominated in RMB and were not interest bearing.

The credit period on trade payables is generally within 90 days.

As at 31 December 2023, the bank acceptance notes amounting to approximately RMB111,100,000 (2022: RMB178,580,000) were guaranteed by bank deposits of approximately RMB11,110,000 (2022: RMB18,581,000).

According to the agreement of bank acceptance notes, maturity dates of notes payables are based on the following schedule: RMB111,110,000 on 8 February 2024 (2022: RMB100,000,000 on 25 February 2023, RMB11,110,000 on 10 March 2023, RMB800,000 on 21 June 2023 and RMB66,670,000 on 17 October 2023), respectively. The amount of RMB111,110,000 (2022: RMB111,110,000) was repaid subsequently to the end of the reporting period.

16. CONVERTIBLE BOND - LIABILITY COMPONENT

The Company issued 5% convertible bonds with principal amount of HKD379,620,000 (equivalent to RMB317,702,000) (“**the Convertible Bonds**”) at a total consideration of HKD379,620,000 (equivalent to RMB317,702,000) 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 HKD0.74 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 principle amount of HKD22,644,000 (equivalent to RMB19,026,000) was converted into 30,600,000 new shares of the Company at a conversion price of HKD0.74 per share.

The fair value of the liability component of the Convertible Bonds at 31 December 2023 amounted to RMB326,137,000 (2022: RMB342,379,000), which is calculated using cash flows discounted at the rate of 9.74% (2022: 10.51%) and is 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:

Subsequent to the year end, a total aggregate of the principal and interest of approximately HKD167,928,000 (equivalent to RMB152,411,000) have been repaid and the remaining principal has been extended into short-term loan arrangements.

| | <i>RMB'000</i> |
|--|-----------------------|
| Liability component at 1 January 2022 | 275,684 |
| Interest expenses | 22,504 |
| Interest paid/payable | (15,313) |
| Exchange alignment | 25,821 |
| | <hr/> |
| Liability component at 31 December 2022 and 1 January 2023 | 308,696 |
| Interest expenses | 24,165 |
| Interest paid/payable | (16,035) |
| Exchange alignment | 4,528 |
| | <hr/> |
| Liability component at 31 December 2023 | 321,354 |
| | <hr/> <hr/> |

17. SHARE CAPITAL

| | Number of ordinary shares (thousands) | Nominal value of ordinary shares <i>HKD'000</i> | Equivalent nominal value of ordinary shares <i>RMB'000</i> |
|---|--|---|---|
| Ordinary shares of HKD0.01 each, issued and fully paid | | | |
| Balance as at 1 January 2022 | 2,599,493 | 25,995 | 21,618 |
| Share issued upon placing of new shares (Note (a)) | <u>459,898</u> | <u>4,599</u> | <u>3,962</u> |
| Balance as at 31 December 2022 | 3,059,391 | 30,594 | 25,580 |
| Share issued upon completion of rights issue (Note (b)) | <u>1,019,797</u> | <u>10,198</u> | <u>8,808</u> |
| Balance as at 31 December 2023 | <u><u>4,079,188</u></u> | <u><u>40,792</u></u> | <u><u>34,388</u></u> |

Notes:

- (a) On 21 July 2022, a total of 459,898,000 placing shares were successfully placed to not less than six placees at the placing price of HKD0.425 per placing share. Further details were set out in the Company's announcement dated 21 July 2022.
- (b) On 30 January 2023, a total of 1,019,797,000 new shares were successfully allotted and issued at the subscription price of HKD0.385 per right share. Further details were set out in the Company's announcement dated 27 January 2023.

18. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2024, the Company completed the placing of new shares under general mandate. A total of 500,000,000 placing shares have been successfully placed to not less than six placees at the placing price of HK\$0.218 per placing share. The use of net proceeds for this placing is for partial redemption of the Convertible Bonds and for general working capital of the Group. Further details were set out in the announcements of the Company dated 21 February 2024.

Save as mentioned elsewhere in this announcement, there were no other significant events subsequent to 31 December 2023 as of date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, 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 expansion so that Tibet's unique and quality products could reach more consumers and potential consumers.

In 2023, the global economic situation showed a complex recovery pattern, and after three consecutive years of pandemic, domestic consumption performance shows a recovery trend. The major market channels of packaged drinking water products of the Group, including airlines, hotels, cinemas, restaurants and entertainment venues, saw a recovery in consumer flow across the board, with sales volume increasing significantly by 51% and revenue growing by 32.9% year over year. The beer business segment had been implementing further strategies to promote our own brand, with green barley beer being the main source of revenue, accounting for 87% of the revenue of the beer business. At the same time, the Group also segmented its market consumers, developed and enriched product categories such as "Tibet Beer", which is a non green barley beer, to create a differentiated market positioning. Based on these strategic measures, the share of collaborative products in total sales decreased from 43% in 2022 to 0.1% in 2023. As a result, the overall sales volume and sales of the Group's beer products both declined in 2023.

In 2023, the scale of the Group's bank financing in Tibet decreased. The Group also actively utilized and took advantage of the offshore financing platform of listed company and successfully completed two equity financings in early 2023 and 2024, which provided strong support for stabilising the Group's business operations. The shareholders of the Company have fully demonstrated their recognition of and confidence in the future development of the Group by actively participating in the financing activities as well as giving actual inputs. The management of the Group has always believed firmly in returning to the products as the cornerstone, enhancing customer experience as the goal, ploughing into the brand value as the orientation, and maximizing returns for shareholders as the core to gather momentum for the future.

FINANCIAL REVIEW

REVENUE ANALYSIS

In 2023, due to the reasons mentioned in the "Business Review" section above, the total revenue of the Group amounted to RMB314 million, representing an increase of 0.8% in comparison with 2022.

The revenue generated from our water business segment was RMB87 million, representing an increase of 32.9% in comparison with 2022. As the economy began to recover, the sales volume of water products increased significantly, resulting in an increase in revenue.

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

| | 2023 | 2022 | % change |
|----------------------------|----------------|-------------|-----------------|
| Volume (hectoliter) | 298,196 | 364,717 | ↓ 18.2% |
| Revenue (RMB'000) | 223,169 | 246,442 | ↓ 9.4% |
| Adjusted EBITDA* (RMB'000) | 58,523 | 93,037 | ↓ 37.1% |

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

In 2023, the overall gross profit margin of the Group was 24.7%, which decreased by 4.4 percentage points when compared to 2022. The gross profit margin of the water business segment was 10.3%, which decreased by 0.9 percentage points when compared to 2022. The gross profit margin of the beer business segment was 28.9% in 2023, which decreased by 5.0 percentage points when compared to 2022. The decrease in the gross profit margin was mainly due to the higher fixed costs allocated due to the decrease in sales volume of beer products.

SELLING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

In 2023, the selling and distribution costs increased by 68.8% to RMB50 million from RMB30 million in 2022, mainly due to an increase in brand and business marketing promotion expenses of approximately RMB13 million and an increase in transportation costs due to an increase in water sales. The administrative expenses increased by 18.7% from RMB75 million in 2022 to RMB89 million in 2023, mainly due to the increase in professional service expenses and the increase in number of operation and management personnel in PRC, which led to the increase in salary and welfare expenses.

ALLOWANCE FOR ECL ON FINANCIAL ASSETS

Allowance for ECL on financial assets mainly included the allowance for ECL on trade receivables, loan receivables and other financial assets at amortised cost. The allowance for ECL on trade receivables was RMB24 million in 2023 (2022: RMB87 million). The decrease was due to improvements in the overall aging of trade receivables. The allowance for ECL on loan receivables was RMB1 million in 2023 (2022: Nil). The allowance for ECL on other financial assets at amortised cost was RMB12 million in 2023 (2022: RMB2 million).

OTHER GAINS, NET

In 2023, other gains, net was RMB15 million (2022: RMB18 million), which mainly included the government grants of RMB13 million (2022: RMB19 million).

SHARE OF RESULT ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In 2023, the share of loss on investments accounted for using the equity method was RMB0.26 million (share of loss in 2022: RMB11 million). The decrease in share of loss was mainly due to the fact that the consolidated share of losses of associated companies has gradually narrowed.

IMPAIRMENT LOSS ON INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

The impairment loss on investment accounted for using the equity method related to the Group's investment in Shannan Yalaxiangbu. The impairment loss is made based on the results of the impairment test in accordance with IAS36. The management of the Group has reviewed the key parameters relevant to the impairment test of the investment and made amendments to those parameters of Shannan Yalaxiangbu, if necessary, in order to reflect the best estimate for the development of the market and Shannan Yalaxiangbu in the future. Business from 2020 to 2023 was hampered by the outbreak of the COVID-19 pandemic. Recently, the management has noticed that the economic growth of the PRC slowed down and the competition in the overall fast consumer goods industry was intensifying, which had significant adverse impact on the production and sales of Shannan Yalaxiangbu in 2023. As a result, compared with the operation forecast made as at the timing when the Group acquired Shannan Yalaxiangbu, the expected growth trend of Shannan Yalaxiangbu showed fluctuations in varying degrees. Given the unclear development trend in the future and the existence of various uncertainties, the management of the Group made amendments to the key parameters in the impairment analysis of the investment in a prudent manner in accordance with IAS36, hence an impairment loss on the investment of RMB261 million was recognised accordingly. It is a one-off non-cash item and has no impact on the Group's daily operation and cash flow.

INCOME TAX EXPENSE

In 2023, the income tax expense was RMB5.9 million which increased by RMB0.6 million when compared to RMB5.3 million in 2022.

LOSS FOR THE YEAR

For the reasons mentioned above, in 2023, the loss for the year was RMB353 million compared to the loss of RMB102 million in 2022.

OTHER FINANCIAL POSITIONS

As at 31 December 2023, investments accounted for using the equity method of the Group amounted to RMB1,216 million compared to RMB1,444 million as at 31 December 2022. The decrease was mainly because in 2023, the Group recognised the impairment loss on investment in Shannan Yalaxiangbu of RMB261 million.

As at 31 December 2023, inventories of the Group amounted to RMB119 million compared to RMB107 million as at 31 December 2022. The increase was mainly attributable to an increase in raw materials and finished goods inventories.

As at 31 December 2023, net trade receivables of the Group amounted to RMB182 million compared to RMB190 million as at 31 December 2022. 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 31 December 2023, the loan receivables of the Group amounted to RMB75 million compared to nil as at 31 December 2022. The balance includes loan to third parties with relevant license in Hong Kong. The balance of loan receivables was fully settled in March 2024.

As at 31 December 2023, prepayments (current portion) of the Group amounted to RMB252 million compared to RMB199 million as at 31 December 2022. The increase was mainly due to the increase in prepayment for purchasing raw materials.

As at 31 December 2023, other financial assets at amortised cost, net of allowance for ECL of the Group amounted to RMB1,007 million compared to RMB980 million as at 31 December 2022. As at 31 December 2023, other financial assets at amortised cost mainly included the amounts due from third parties amounting to RMB960 million; the amount due from an associate amounting to RMB16 million; and other receivables amounting to RMB72 million. As at 31 December 2023, allowance for ECL on other financial assets at amortised cost amounted to RMB41 million.

As at 31 December 2023, trade and notes payables of the Group amounted to RMB154 million compared to RMB247 million as at 31 December 2022. The decrease was mainly due to the decrease in notes payables of RMB67 million.

As at 31 December 2023, contract liabilities of the Group amounted to RMB17 million compared to RMB35 million as at 31 December 2022. The decrease was mainly due to the decrease in advances received from customers of the sales of water and beer products.

As at 31 December 2023, accruals and other payables of the Group amounted to RMB161 million compared to RMB181 million as at 31 December 2022. As at 31 December 2023, accruals and other payables mainly included salary payables and welfare payables amounting to RMB22 million, payables for value added tax and other taxes amounting to RMB7 million, professional service fee payables amounting to RMB8 million, amounts received from a third party amounting to RMB37 million, loan from a third party amounting to RMB9 million and other payables amounting to RMB78 million.

As at 31 December 2023, the bank borrowings of the Group decreased by RMB26 million when compared to 31 December 2022, which was mainly because of the net repayment of principal of bank borrowings in 2023.

As at 31 December 2023, the liability component of the Convertible Bonds issued by the Company amounted to RMB321 million, compared to RMB309 million as at 31 December 2022. In March 2021, the Company issued the Convertible Bonds with principal amount of approximately HKD380 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 16 to the consolidated financial statements of this announcement.

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was 368 compared to 347 as at 31 December 2022. Relevant staff cost of the Group was RMB77 million in 2023 (2022: RMB68 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 Company adopted a share award scheme in 2017. Up to 31 December 2023, no share has been granted by the Group to any parties under the share award scheme.

The Company adopted a new share option scheme in 2023. Up to 31 December 2023, no share option has been granted under the share option 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 consolidated statement of financial position plus borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties). As at 31 December 2023 and 31 December 2022, the gearing ratios of the Group were 20.94% and 21.12%, respectively.

MERGER AND ACQUISITION

In 2023, to further expand the sales channels of the Group’s water business, the Group acquired 11 % equity interests in Tibet Life Water Marketing, a company incorporated in the PRC with other limited liability, at a consideration of RMB33 million. Prior to the acquisition, the Group already held 38% equity interests in Tibet Life Water Marketing. Upon completion of the acquisition, the Group held 49 % equity interests in Tibet Life Water Marketing.

SIGNIFICANT INVESTMENTS

In 2023, the Group acquired PP&E of RMB14 million (2022: RMB6 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 31 December 2023, the Group had committed to purchasing PP&E and related projects of approximately RMB14 million (31 December 2022: RMB5 million). The funding sources related to these commitments are expected to be disbursed from the Group’s own capital.

CHARGES (OR PLEDGES)

As at 31 December 2023, (i) a bank loan with a remaining balance of RMB150 million of the Group was secured by the pledge of 35% of equity interest in Tibet Tiandi Green Beverage Development Co., Ltd, 7% of equity interest in Tibet Highland Natural Water Limited, and mineral water mining rights of the Group in Dangxiong; (ii) a bank loan with a remaining balance of RMB94.5 million of the Group was secured by the pledge of 20% of equity interest in Shannan Yalaxiangbu; (iii) a bank loan with a remaining balance of RMB80 million of the Group was secured by the pledge of land use rights of a third party of the Group; and (iv) a bank loan with a remaining balance of RMB102 million of the Group was secured by the Group’s factory plant with net book value of RMB49 million and land use rights with net book value of RMB25 million.

As at 31 December 2023, the bank acceptance notes amounting to RMB111 million were guaranteed by bank deposits of RMB11 million.

CONTINGENT LIABILITIES

The Group provided financial guarantee net amounted to RMB245 million (31 December 2022: RMB265 million) to an associate as at 31 December 2023. As at 31 December 2023, the guarantee was provided for bank borrowings obtained by the associate in the net amount of RMB245 million. The period of the guarantee for bank borrowings in the net amount of RMB160 million is from 27 September 2023 to 27 September 2024. The period of the remaining bank borrowings guarantee amounting to RMB85 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 2023, 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.

USE OF NET PROCEEDS OF RIGHTS ISSUE

The Company's rights issue of up to 1,019,797,000 rights shares (the "**Rights Share(s)**") at the subscription price of HKD0.385 per Rights Share on the basis of one (1) Rights Share for every three (3) existing shares held by the qualifying shareholders (the "**Rights Issue**") was completed on 30 January 2023, and an aggregate of 1,019,797,000 new shares had been allotted and issued by the Company. After allotment and issue of new shares and as at 31 December 2023, the Company's number of issued ordinary shares was 4,079,188,000. As at 31 December 2023, the net proceeds of approximately HKD388 million had been fully utilized as to 70% for repayment of the external debts of the Group and as to 30% for general working capital of the Group.

FINAL DIVIDEND

No dividend has been declared by the Company in respect of 2023 (2022: nil).

OUTLOOK

Root in Tibetan market and optimize national layout

The Group's abundant quality natural mineral water and natural water resources in Tibet that are available for exploitation and use on a large scale are a solid cornerstone for our future development. We will continue to deepen the development, utilization and protection of quality water sources in Tibet to ensure the stability and sustainability of the quality of water sources, and to provide consumers with high quality, healthy and safe drinking water and beer products. The Group will take into account the cultural characteristics of Tibet, give full play to the advantages of its origin, take the Tibet base market as its focus, strengthen the construction of traditional channels, optimize the national layout and expand the market coverage of our products, with the aim to attract more consumers to pay attention to and purchase our products.

Enhance product development in line with health trends

As consumers are increasingly concerned about health concepts and demand for product diversification, the Group will continue to increase its investment in product research and development, strive to improve the quality and taste of its products, and to develop and produce healthy packaged drinking water, beverages and beer. The Group will continue to adhere to the strategic position which takes the "5100" brand as the core, through enriching the product range, optimizing the production process, improving the quality of service and reducing production costs, in order to provide a wider range of consumers with choices of high-quality mineral water and other products which are better value for money. The Group will invest more resources in brand promotion and market construction to enhance brand awareness and reputation, so that more consumers will understand and recognize "5100".

Focus on international developments and develop overseas markets

The drinking water concerns caused by Japan's discharge of contaminated water have once again reminded us of the importance of drinking water safety. It has not only affected domestic consumers' perceptions, but also triggered widespread international concern over drinking water safety. Against this backdrop, the Group will closely monitor the dynamics and changes in the international market, especially the packaged drinking water market in Southeast Asia. With a large population and rapid economic development, Southeast Asia has a huge potential for demand for high quality drinking water. The Group will actively explore the Southeast Asian market through the successful operation experience in the Hong Kong market, and uphold the concept of "Tibet's good water, shared by the world" to promote our quality mineral water products to a wider international market.

Be concerned about environmental protection and insist on sustainable development

In the face of environmental problems such as global warming and the increase in extreme weather, the scarcity of potable water resources is becoming more and more prominent. We are well aware of the preciousness of resources. Therefore, while pursuing business development, we will endeavour to enhance the efficiency of production resource utilization and reduce wastage in the production process, so as to achieve the Group's sustainable development goals. At the same time, we will strengthen the publicity and education on environmental protection awareness, and promote the common concern of all sectors of the society on the issue of water resources protection, so as to contribute to sustainable development.

EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 18 to the consolidated financial statements of this announcement for the events after the reporting period.

EXTERNAL AUDITOR

HLB Hodgson Impey Cheng Limited (“**HLB**”) has been re-appointed as the auditor of the Company with effect from the conclusion of the annual general meeting of the Company (“**AGM**”) held on 30 June 2023 and to hold office until the conclusion of the next AGM. The consolidated financial statements for the year ended 31 December 2023 were audited by HLB, who will retire at the conclusion of the forthcoming AGM 2024 and, being eligible, will offer itself for re-appointment as external auditor of the Company.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of this announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, HLB, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing and consequently no assurance has been expressed by HLB on the preliminary results announcement.

CORPORATE GOVERNANCE PRACTICES

For the year 2023, the Company has complied with the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules, save for following deviations.

Under Code Provision C.1.6 of the CG Code, non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. WEI Zheming, a non-executive Director, did not attend the annual general meeting of the Company held on 30 June 2023 as he was obliged to be away for his other business matters.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 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 year ended 31 December 2023. 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.

AUDIT COMMITTEE

The audit committee is mainly responsible for monitoring the integrity of the Company’s financial statements, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

ACKNOWLEDGEMENT

The Board would like to express its sincere appreciation for the devotion and hard work of the management team and all the staff members, as well as the support from the shareholders, business partners and loyal customers.

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

Chairman and Independent Non-Executive Director

Hong Kong, 28 March 2024

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