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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 2020**

<b>FINANCIAL HIGHLIGHT</b>			
	<b>Half-year</b>		
	<b>2020</b>	<b>2019</b>	<b>Change</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<b>%</b>
Revenue from contracts with customers (RMB'000)	<b>222,986</b>	409,785	↓ <b>46%</b>
Profit attributable to the owners of the Company (RMB'000)	<b>50,397</b>	146,981	↓ <b>66%</b>
Earnings per share			
– Basic (RMB cents)	<b>2.01</b>	5.87	↓ <b>66%</b>
– Diluted (RMB cents)	<b>2.01</b>	5.87	↓ <b>66%</b>
Sales volume (Tonnes)	<b>39,469</b>	55,289	↓ <b>29%</b>
	<b>As at</b>	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>	
	<b>2020</b>	<b>2019</b>	
	<i>(Unaudited)</i>	<i>(Audited)</i>	
Total assets (RMB'000)	<b>4,320,401</b>	4,262,406	↑ <b>1%</b>
Equity attributable to owners of the Company (RMB'000)	<b>2,746,815</b>	2,701,943	↑ <b>2%</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 2020. These interim results have been reviewed by the Company’s audit committee, comprising all of the independent non-executive Directors, one of whom chairs the committee.

### CONDENSED CONSOLIDATED BALANCE SHEET

	Note	Unaudited 30 June 2020 RMB’000	Audited 31 December 2019 RMB’000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	7	28,164	28,521
Property, plant and equipment (“PP&E”)	7	496,328	521,083
Investment properties		4,562	4,679
Intangible assets	7	55,378	66,403
Goodwill	7	721,139	721,139
Investments accounted for using the equity method	8	696,686	698,283
Deferred tax assets		7,144	9,511
Prepayments		5,725	6,518
Financial assets at fair value through other comprehensive income (“FVOCI”)		231,881	231,881
Financial assets at fair value through profit or loss (“FVPL”)		16,517	16,517
<b>Total non-current assets</b>		<b>2,263,524</b>	<b>2,304,535</b>
<b>Current assets</b>			
Trade receivables	9	315,179	258,991
Prepayments		61,989	115,428
Prepaid enterprise income tax		4,274	2,860
Other financial assets at amortised cost	10	1,234,627	831,736
Inventories		45,067	52,716
Financial assets at fair value through profit or loss (“FVPL”)		187,000	180,630
Cash and cash equivalents		149,959	453,271
Restricted cash		58,782	62,239
<b>Total current assets</b>		<b>2,056,877</b>	<b>1,957,871</b>
<b>Total assets</b>		<b>4,320,401</b>	<b>4,262,406</b>

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	Unaudited 30 June 2020 <i>RMB'000</i>	Audited 31 December 2019 <i>RMB'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		21,363	21,363
Share premium		1,225,214	1,225,214
Shares held for share award scheme		(173,037)	(173,037)
Other reserves		141,779	147,304
Retained earnings		1,531,496	1,481,099
<b>Total equity attributable to owners of the Company</b>		<u>2,746,815</u>	<u>2,701,943</u>
Non-controlling interests		116	96
<b>Total equity</b>		<u>2,746,931</u>	<u>2,702,039</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	13	140,000	140,000
Other payables	12	16,000	16,000
Deferred revenue		17,304	18,517
Deferred tax liabilities		8,734	9,695
<b>Total non-current liabilities</b>		<u>182,038</u>	<u>184,212</u>
<b>Current liabilities</b>			
Trade and notes payables	11	322,780	323,881
Deferred revenue		2,373	2,373
Contract liabilities		9,143	29,409
Enterprise income tax payable		30,549	34,355
Accruals and other payables	12	426,587	410,137
Bank borrowings	13	600,000	576,000
<b>Total current liabilities</b>		<u>1,391,432</u>	<u>1,376,155</u>
<b>Total liabilities</b>		<u>1,573,470</u>	<u>1,560,367</u>
<b>Total equity and liabilities</b>		<u>4,320,401</u>	<u>4,262,406</u>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	<b>Unaudited Half-year</b>	
		<b>2020</b>	2019
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue from contracts with customers	6	<b>222,986</b>	409,785
Cost of sales	15	<b>(121,270)</b>	(177,412)
<b>Gross profit</b>		<b>101,716</b>	232,373
Selling and distribution costs	15	<b>(39,388)</b>	(43,635)
Administrative expenses	15	<b>(33,114)</b>	(44,484)
Net impairment losses on financial assets	15	<b>(10,088)</b>	(1,870)
Other gains, net	14	<b>10,534</b>	11,284
<b>Operating profit</b>		<b>29,660</b>	153,668
Finance income		<b>53,965</b>	23,723
Finance costs		<b>(21,730)</b>	(28,760)
Finance income/(costs), net		<b>32,235</b>	(5,037)
Share of net (loss)/profit of investments accounted for using the equity method	8	<b>(1,597)</b>	15,396
<b>Profit before income tax</b>		<b>60,298</b>	164,027
Income tax expense	16	<b>(9,901)</b>	(17,046)
<b>Profit for the half-year</b>		<b>50,397</b>	146,981
<b>Profit attributable to:</b>			
– Owners of the Company		<b>50,397</b>	146,981
– Non-controlling interests		<b>—</b>	—
		<b>50,397</b>	146,981
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Earnings per share (basic and diluted) (RMB cents per share)	17	<b>2.01</b>	5.87

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the half-year</b>	<b>50,397</b>	146,981
<b>Other comprehensive loss:</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	(5,525)	(2,147)
<b>Other comprehensive loss for the half-year, net of tax</b>	<b>(5,525)</b>	<b>(2,147)</b>
<b>Total comprehensive income for the half-year</b>	<b>44,872</b>	144,834
<b>Attributable to:</b>		
– Owners of the Company	44,872	144,834
– Non-controlling interests	—	—
<b>Total comprehensive income for the half-year</b>	<b>44,872</b>	144,834

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company							
	Shares held						Non-	
	for share						controlling	Total
	Share	Share	award	Other	Retained		interests	equity
	capital	premium	scheme	reserves	earnings	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Balance at 1 January 2020</b>	<u>21,363</u>	<u>1,225,214</u>	<u>(173,037)</u>	<u>147,304</u>	<u>1,481,099</u>	<u>2,701,943</u>	<u>96</u>	<u>2,702,039</u>
Profit for the half-year	—	—	—	—	50,397	50,397	—	50,397
Currency translation differences	—	—	—	(5,525)	—	(5,525)	—	(5,525)
<b>Total comprehensive income for the half-year</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,525)</u>	<u>50,397</u>	<u>44,872</u>	<u>—</u>	<u>44,872</u>
Capital injections from non-controlling interests	—	—	—	—	—	—	20	20
<b>Balance at 30 June 2020</b>	<u>21,363</u>	<u>1,225,214</u>	<u>(173,037)</u>	<u>141,779</u>	<u>1,531,496</u>	<u>2,746,815</u>	<u>116</u>	<u>2,746,931</u>
<b>Balance at 1 January 2019</b>	<u>21,363</u>	<u>1,206,829</u>	<u>(173,037)</u>	<u>177,924</u>	<u>2,226,217</u>	<u>3,459,296</u>	<u>40</u>	<u>3,459,336</u>
Profit for the half-year	—	—	—	—	146,981	146,981	—	146,981
Currency translation differences	—	—	—	(2,147)	—	(2,147)	—	(2,147)
<b>Total comprehensive income for the half-year</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,147)</u>	<u>146,981</u>	<u>144,834</u>	<u>—</u>	<u>144,834</u>
Capital injections from non-controlling interests	—	—	—	—	—	—	56	56
<b>Balance at 30 June 2019</b>	<u>21,363</u>	<u>1,206,829</u>	<u>(173,037)</u>	<u>175,777</u>	<u>2,373,198</u>	<u>3,604,130</u>	<u>96</u>	<u>3,604,226</u>

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	45,370	267,295
Interest received	222	371
Income tax paid	(13,714)	(16,575)
	<b>31,878</b>	<b>251,091</b>
<b>Net cash flows from operating activities</b>	<b>31,878</b>	<b>251,091</b>
<b>Cash flows from investing activities</b>		
Purchases of PP&E	(6,319)	(1,228)
Purchases of FVPL	—	(345,000)
Proceeds from disposal of FVPL	—	349,522
Loans granted to third parties	(424,010)	(685,692)
Repayments received from loans to third parties	283,664	764,020
Amounts advanced to third parties	—	(169,104)
Amounts received from third parties	25,309	162,482
Loans granted to related parties	(250,710)	—
Repayments received from loans to related parties	16,584	—
Amounts paid to related parties	—	(231,424)
Payment for investment in an associate	—	(4,000)
	<b>(355,482)</b>	<b>(160,424)</b>
<b>Net cash flows used in investing activities</b>	<b>(355,482)</b>	<b>(160,424)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	265,000	246,000
Repayments of bank borrowings and interests	(253,785)	(161,206)
Capital injections from a non-controlling interest	20	56
Loans from third parties	8,595	3,959
	<b>19,830</b>	<b>88,809</b>
<b>Net cash flows from financing activities</b>	<b>19,830</b>	<b>88,809</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(303,774)</b>	<b>179,476</b>
Cash and cash equivalents at the beginning of the half-year	453,271	267,622
Exchange gains/(losses)	462	(317)
	<b>149,959</b>	<b>446,781</b>
<b>Cash and cash equivalents at end of the half-year</b>	<b>149,959</b>	<b>446,781</b>

The above condensed consolidated statement of cash flows 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 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 interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

### Key event

The COVID-19 (Coronavirus) outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken to contain the virus have affected economic activity, which in turn have implications for financial reporting.

Measures to prevent transmission of the virus include limiting the movement of people, restricting flights and other transportation, temporarily closing businesses and schools, and cancelling events. This will have a direct impact on businesses such as tourism, transport, retail and entertainment. It will also begin to affect supply chains and the production of goods throughout the world, and lower economic activity is likely to result in reduced demand for many goods and services. Therefore, there was a substantial decline in the Group's financial performance compared with the corresponding period last year.

## 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the half-year reporting period ended 30 June 2020 have been prepared in accordance with Accounting Standards IAS 34 Interim Financial Reporting. The condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, they are to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.



### **3 ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, and the adoption of new and amended standards as set out below.

#### **3.1 New and amended standards adopted by the Group**

New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of amendments to accounting standards that become applicable for annual reporting periods commencing on or after 1 January 2020 and entities will need to consider whether any of these amendments could affect their existing accounting policies for their 2020 interim reports:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

#### **3.2 Impact of standards issued but not yet applied by the entity**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

## 4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, with the exception of the changes in estimates that are required in the impairment assessment for goodwill arising from acquisition of a subsidiary – Tibet Tiandi Green Beverage Development Co., Ltd. (“**Tiandi Green**”) and investment in an associate – Tibet Highland Natural Water Limited (“**Highland Natural Water**”).

(i) Goodwill arising from acquisition of Tiandi Green

The Group performs impairment analysis for goodwill from acquisition of Tiandi Green when there is any indicator for impairment noted in accordance with the accounting policy. The recoverable amounts of cash-generating unit (“**CGU**”) have been determined based on value-in-use calculations. These calculations require the use of estimates.

The table below summarised the key assumptions used in the goodwill impairment review and the impacts on the value-in-use calculations upon unfavourable movements of the key assumptions:

<b>Items</b>	<b>Assumptions used</b>	<b>Movement of key assumptions</b>	<b>Decrease in value-in-use/ impairment loss (RMB'000)</b>
Compound annual			
revenue growth rate	-5.7%~8.2%	Decrease by 1%	54,110/17,250
Long-term growth rate	2.5%	Decrease to 1.5%	44,356/7,496
Gross margin	41.6%~45.0%	Decrease by 5%	156,448/119,588
Pre-tax discount rate	14.4%	Increase to 15.4%	78,148/41,288

Based on management's analysis, negative movements of the above key assumptions are unlikely to happen given prudent assumptions had been used in the goodwill impairment analysis. As such, no impairment loss had been recognised for the goodwill arising from acquisition of Tiandi Green for the six months ended 30 June 2020.

#### 4 ESTIMATES (CONTINUED)

##### (ii) Investment in Highland Natural Water

The Group performs impairment analysis for investment in Highland Natural Water when there is any indicator for impairment noted in accordance with the accounting policy. The recoverable amounts of CGU have been determined based on value-in-use calculations, which was higher than fair value less costs of disposal. These calculations require the use of estimates.

The table below summarised the key assumptions used in the impairment review for investment in Highland Natural Water and the impacts on the value-in-use calculations upon unfavourable changes of the key assumptions:

<b>Items</b>	<b>Assumptions used</b>	<b>Movement of key assumptions</b>	<b>Decrease in value-in-use/ impairment loss (RMB'000)</b>
Compound annual revenue growth rate	-6.8%~10.8%	Decrease by 1%	100,033/86,319
Long-term growth rate	2.5%	Decrease to 1.5%	28,326/14,612
Gross margin	51.6%~55.5%	Decrease by 5%	146,185/132,471
Pre-tax discount rate	12.4%	Increase to 13.4%	55,199/41,485

Based on management's analysis, negative movement of the above key assumptions are unlikely to happen given prudent assumptions had been used in the impairment analysis for investment in Highland Natural Water. As such, no impairment loss had been recognised for the six months ended 30 June 2020 (As at 31 December 2019, management recorded impairment loss of RMB873,151,000 in relation to the investment in Highland Natural Water based on the impairment assessment performed).

## 5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive Directors that are used to make strategic decisions.

(a) Description of segments and principal activities

*(i) Water 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 segment*

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

*(iii) Corporate segment*

The Group provides lending services to third parties in Hong Kong with relevant license.

The executive Directors assess the performance of the operating segments based on review of their revenue, cost of sales and gross profit.

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information disclosures

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

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

The segment information provided to the executive Directors for the reportable segments for the six months ended and as at 30 June 2020 is as follows:

	<b>Unaudited</b>				
	<b>Six months ended 30 June 2020</b>				
	<b>Water</b>	<b>Beer</b>	<b>Corporate</b>	<b>Inter-</b>	
	<b>segment</b>	<b>segment</b>	<b>segment</b>	<b>segment</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>elimination</b>	<b>RMB'000</b>
Total segment revenue	83,349	138,482	1,155	—	222,986
Cost of sales	<u>(39,064)</u>	<u>(82,206)</u>	<u>—</u>	<u>—</u>	<u>(121,270)</u>
<b>Gross profit for</b>					
<b>the period</b>	<u>44,285</u>	<u>56,276</u>	<u>1,155</u>	<u>—</u>	<u>101,716</u>
<b>Profit for the period</b>	<u>23,271</u>	<u>45,841</u>	<u>(18,715)</u>	<u>—</u>	<u>50,397</u>
Net impairment losses					
on financial assets	<u>(9,771)</u>	<u>(317)</u>	<u>—</u>	<u>—</u>	<u>(10,088)</u>
Depreciation and					
amortisation	<u>(14,122)</u>	<u>(26,972)</u>	<u>(212)</u>	<u>—</u>	<u>(41,306)</u>

5 SEGMENT INFORMATION (CONTINUED)

	Unaudited		
	As at 30 June 2020		
	Water	Beer	
	segment	segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	2,489,694	2,428,431	4,918,125
Investments accounted for using the equity method	680,698	—	680,698
<b>Unallocated</b>			
FVPL			203,517
FVOCI			231,881
Deferred tax assets			7,144
Corporate assets			43,916
Inter-segment elimination			<u>(1,084,182)</u>
<b>Total assets</b>			<u><u>4,320,401</u></u>
Segment total liabilities	1,364,241	532,911	1,897,152
<b>Unallocated</b>			
Deferred tax liabilities			8,734
Corporate liabilities			340,165
Inter-segment elimination			<u>(672,581)</u>
<b>Total liabilities</b>			<u><u>1,573,470</u></u>

## 5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive Directors for the reportable segments for the six months ended 30 June 2019 and as at 31 December 2019 is as follows:

	Unaudited				
	Six months ended 30 June 2019				
	Water	Beer	Corporate	Inter-	Total
	segment	segment	segment	segment	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	elimination	<i>RMB'000</i>
				<i>RMB'000</i>	
Total segment revenue	255,715	154,330	1,093	(1,353)	409,785
Cost of sales	<u>(101,571)</u>	<u>(77,194)</u>	<u>—</u>	<u>1,353</u>	<u>(177,412)</u>
<b>Gross profit for</b>					
<b>the period</b>	<u>154,144</u>	<u>77,136</u>	<u>1,093</u>	<u>—</u>	<u>232,373</u>
<b>Profit for the period</b>	<u>113,681</u>	<u>61,918</u>	<u>(28,618)</u>	<u>—</u>	<u>146,981</u>
Net impairment losses					
on financial assets	<u>(1,870)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,870)</u>
Depreciation and					
amortisation	<u>(12,835)</u>	<u>(26,795)</u>	<u>(493)</u>	<u>—</u>	<u>(40,123)</u>

## 5 SEGMENT INFORMATION (CONTINUED)

	Audited		
	As at 31 December 2019		
	Water segment	Beer segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	2,633,874	2,375,042	5,008,916
Investments accounted for using the equity method	681,248	—	681,248
<b>Unallocated</b>			
FVPL			197,147
FVOCI			231,881
Deferred tax assets			9,511
Corporate assets			43,394
Inter-segment elimination			<u>(1,228,443)</u>
<b>Total assets</b>			<u><u>4,262,406</u></u>
Segment total liabilities	1,525,605	526,668	2,052,273
<b>Unallocated</b>			
Deferred tax liabilities			9,695
Corporate liabilities			315,241
Inter-segment elimination			<u>(816,842)</u>
<b>Total liabilities</b>			<u><u>1,560,367</u></u>



## 6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from external customers are 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 and leases production lines and a plant to associates. Breakdown of the revenue is as follows:

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Sales of water products	<b>79,037</b>	204,888
Sales of beer products	<b>138,482</b>	152,977
Sales of raw materials and consumables	<b>465</b>	48,411
Rental income	<b>3,847</b>	2,416
Interest income from financing services provided	<b>1,155</b>	1,093
	<b><u>222,986</u></b>	<b><u>409,785</u></b>

Revenue from external customers of the Group were derived in the PRC for the six months ended 30 June 2020 and 2019.

**7 LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL**

	<b>Unaudited</b>			
	<b>Land use rights RMB'000</b>	<b>Property, plant and equipment RMB'000</b>	<b>Intangible assets RMB'000</b>	<b>Goodwill RMB'000</b>
<b>Opening net book amount</b>				
<b>at 1 January 2020</b>	28,521	521,083	66,403	721,139
Additions	—	5,052	—	—
Depreciation and amortisation- additions (Note 15)	(357)	(29,807)	(11,025)	—
<b>Closing net book amount</b>				
<b>at 30 June 2020</b>	<u>28,164</u>	<u>496,328</u>	<u>55,378</u>	<u>721,139</u>
<b>Opening net book amount</b>				
<b>at 1 January 2019</b>	29,245	578,997	88,521	721,139
Additions	—	3,867	—	—
Transfers	—	(6,438)	—	—
Depreciation and amortisation- additions (Note 15)	(357)	(28,804)	(10,904)	—
Depreciation and amortisation- transfers	—	1,584	—	—
<b>Closing net book amount</b>				
<b>at 30 June 2019</b>	<u>28,888</u>	<u>549,206</u>	<u>77,617</u>	<u>721,139</u>

As at 30 June 2020, buildings with net book value of RMB93,152,000, machineries with net book value of RMB57,436,000 and land use rights with net book value of RMB28,088,000 were secured for bank borrowings with principal amounts of RMB65,000,000, RMB50,000,000 and RMB100,000,000 (Note 13) (As at 31 December 2019, buildings with net book value of RMB95,381,000 and land use rights with net book value of RMB28,447,000 were secured for bank borrowings with principal amounts of RMB66,000,000 and RMB100,000,000).

## 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June 2020 <i>RMB'000</i> <i>Unaudited</i>
<b>At the beginning of the half-year</b>	<b>698,283</b>
Share of net loss of investments accounted for using the equity method	(1,597)
<b>At end of the half-year</b>	<b><u>696,686</u></b>

The Group's share of the results in a material associate - Highland Natural Water, and its aggregated assets and liabilities are shown below:

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Assets	1,395,670	1,258,146
Liabilities	<u>889,290</u>	<u>751,151</u>

	Unaudited Half-year	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	155,476	275,074
Share of profit	—	15,046
Percentage held	<u>43.981%</u>	<u>43.981%</u>

## 9 TRADE RECEIVABLES

The aging analysis of trade receivables based on invoice dates is as follows:

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Within 6 months	117,287	161,775
Over 6 months but within 1 year	141,486	75,426
Over 1 year but within 2 years	47,863	67,027
Over 2 years	19,531	32,512
	<u>326,167</u>	<u>336,740</u>
Less: loss allowance	(10,988)	(77,749)
	<u>315,179</u>	<u>258,991</u>

For the trade receivables arising from sales of water and beer products, the Group applies the IFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance. For the trade receivables arising from loans to third parties, the Group uses three categories which reflect their credit risk and how the loan loss provision is determined for each of those categories. This resulted in the recognition of loss allowance for trade receivables amounting to RMB10,088,000 (Note 15) for the period ended 30 June 2020.

Trade receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. For the period ended 30 June 2020, impairment provision amounting to RMB76,849,000 was written off.

## 10 OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Amounts due from third parties (a)	1,166,598	612,710
Amounts due from associates (b)	63,590	189,800
Government grant receivable	—	24,320
Deposits	229	213
Others	6,378	6,861
	<u>1,236,795</u>	<u>833,904</u>
Less: loss allowance	(2,168)	(2,168)
	<u><u>1,234,627</u></u>	<u><u>831,736</u></u>

(a) The balances mainly include the following items:

- The loan to a third party company with outstanding principal amounting to RMB199,888,000 (2019: RMB223,000,000) and accrued interest of RMB1,004,000 (2019: RMB3,631,000), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 30 June 2021. The total principal and interest were pledged by 11.5% of Tibet Shannan Yalaxiangbu Industrial Ltd. (“**Shannan Yalaxiangbu**”)’s equity interests and secured by Tibet Fudi Natural Beverage Packaging Ltd. (“**Fudi Packaging**”)’s machinery.
- The loan to a third party company with outstanding principal amounting to RMB196,100,000 (2019: RMB324,286,000) and accrued interest of RMB11,610,000 (2019: RMB19,281,000), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 6 July 2021. The total principal and interest were pledged by 26% of Shannan Yalaxiangbu’s equity interests.
- The loan to a third party company with outstanding principal amounting to RMB158,644,000 (2019: nil) and accrued interest of RMB3,234,000 (2019: nil), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 16 March 2021.

## 10 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

- (a) The balances mainly include the following items: (continued)
- The loan to a third party company with outstanding principal amounting to RMB192,000,000 (2019: nil) and accrued interest of RMB11,139,000 (2019: nil), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 30 March 2021.
  - The loan to a third party company with outstanding principal amounting to RMB32,000,000 (2019: RMB32,000,000) and accrued interest of RMB1,600,000 (2019: nil), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 31 December 2020. The total principal and interest were pledged by 2.5% of Shannan Yalaxiangbu's equity interests.
  - Amount due from a third party company of RMB5,836,000 (2019: RMB5,836,000) was mainly the prepayment made for purchase of equipment, which was transferred to other financial assets at amortised cost due to the rescission of contracts.
  - The loan to a third party company with outstanding principal amounting to RMB140,000,000 (2019: nil), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 30 June 2021.
  - The loan to a third party company with outstanding principal amounting to RMB210,905,000 (2019: nil), which bore an annual interest rate of 10%. Based on the contractual terms, the loan is repayable before 30 June 2021.
- (b) The balances mainly include the following items:
- The loan to an associate Fudi Packaging with outstanding principal amounting to RMB60,710,000 (2019: nil) and accrued interest of RMB1,480,000 (2019: nil), which bore an annual interest rate of 10% and was unsecured. Based on the contractual terms, the loan is repayable before 21 June 2021.

No additional loss allowance for the period ended 30 June 2020 was recognised for other financial assets at amortised cost.

## 11 TRADE AND NOTES PAYABLES

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Trade payables	72,974	64,202
Notes payables	249,806	259,679
	<u>322,780</u>	<u>323,881</u>

As at 30 June 2020 and 31 December 2019, the aging analysis of trade payables based on invoice dates is as follows:

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Within 3 months	29,592	34,180
Over 3 months but within 6 months	12,932	13,147
Over 6 months but within 1 year	16,417	9,528
Over 1 year but within 2 years	7,372	3,136
Over 2 years	6,661	4,211
	<u>72,974</u>	<u>64,202</u>

The bank acceptance notes amounting to RMB179,290,000 were guaranteed by the Company and a subsidiary of the Company. The bank acceptance notes amounting to RMB70,516,000 were guaranteed by the Company and a third party company, and were pledged by 7% of an associate's equity interests. According to the agreement of bank acceptance notes, maturity dates of notes payables are based on the following schedule: RMB70,516,000, RMB68,726,000 and RMB110,564,000 on 25 December 2020, 18 January 2021 and 1 March 2021 respectively.

## 12 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Salary payables	5,215	3,829
Welfare payables	7,059	12,850
Payables for value added tax and other taxes	13,150	10,896
Accrued operating expenses	6,081	9,125
Payables for purchase of equipment	10,877	13,798
Audit fee payable	5,733	6,288
Professional service fee payable	4,698	4,277
Amounts payable for equity investment in an associate	16,000	16,000
Amounts received from a third party	49,044	49,044
Deposits from customers	1,228	1,298
Borrowings from third parties (a)	314,702	290,309
Others	8,800	8,423
	<u>442,587</u>	<u>426,137</u>
Less:		
Non-current portion - other payables for equity investment in an associate	<u>16,000</u>	<u>16,000</u>
<b>Current portion</b>	<b><u>426,587</u></b>	<b><u>410,137</u></b>



## 12 ACCRUALS AND OTHER PAYABLES (CONTINUED)

(a) The balances include the following items:

- The loan from a third party company with outstanding principal amounting to RMB1,827,000 (2019: RMB1,792,000) and accrued interest of RMB118,000 (2019: RMB62,000). The loan bore an annual interest rate at 6% and is repayable on 2 December 2020.
- The loan from a third party company with outstanding principal amounting to RMB184,692,000 (2019: RMB181,134,000) and accrued interest of RMB12,869,000 (2019: RMB6,297,000). The loan, which was mainly used for the repayment of convertible bonds, bore an annual interest rate of 7% and is repayable on 31 October 2020. The lending company is ultimately held by Mr. Wang Peter Jian's spouse, and Mr. Wang Peter Jian is the substantial shareholder of the Company.
- The loan from a third party company with outstanding principal amounting to RMB2,284,000 (2019: RMB2,240,000) and accrued interest of RMB127,000 (2019: RMB58,000). The loan bore an annual interest rate of 6% and is repayable on 31 October 2020. The lending company is ultimately held by Mr. Wang Peter Jian's spouse.
- The loan from a third party company with outstanding principal amounting to RMB91,157,000 (2019: RMB89,401,000) and accrued interest of RMB6,206,000 (2019: RMB2,966,000). The loan, which was mainly used for the repayment of convertible bonds, bore an annual interest rate of 7% and is repayable on 31 October 2020. The lending company is ultimately held by Mr. Wang Peter Jian.
- The loan from a third party company with outstanding principal amounting to RMB1,370,000 (2019: nil) and accrued interest of RMB33,000 (2019: nil). The loan bore an annual interest rate of 6% and is repayable on 4 February 2021. The lending company is ultimately held by Mr. Wang Peter Jian.
- The loans from Mr. Wang Peter Jian with outstanding principal amounting to RMB13,619,000 (2019: RMB6,271,000) and accrued interest of RMB400,000 (2019: RMB88,000). The loans bore an annual interest rate of 6% and are repayable before 24 May 2021, of which an amount of RMB2,923,000 was repaid in July 2020.

## 13 BANK BORROWINGS

	As at	
	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
<b>Non-current</b>		
Long-term borrowing from a bank - Guaranteed and pledged (a)	<b>140,000</b>	140,000
<b>Current</b>		
Current portion of long-term borrowing from a bank - Guaranteed and pledged (a)	<b>100,000</b>	100,000
Current portion of long-term borrowing from a bank - Guaranteed and secured (b)	<b>75,000</b>	90,000
Current portion of long-term borrowing from a bank - Secured (c)	<b>150,000</b>	—
Current portion of long-term borrowing from a bank - Guaranteed	—	110,000
Short-term borrowings from banks - Guaranteed and secured (d)	<b>115,000</b>	66,000
Short-term borrowings from banks - Guaranteed and pledged (e)	<b>160,000</b>	160,000
Short-term borrowing from a bank - Guaranteed	—	50,000
	<b>600,000</b>	576,000
<b>Total borrowings</b>	<b>740,000</b>	716,000

The borrowings were all denominated in RMB as at 30 June 2020 and 31 December 2019.

### 13 BANK BORROWINGS (CONTINUED)

- (a) The borrowing with principal amount of RMB290,000,000 was guaranteed by the Company and was pledged by 35% of a subsidiary's equity interests. The interest rate was based on the directive interest rate announced by the People's Bank of China Lhasa Central Sub-branch, which was 4.75% per annum as at 30 June 2020 of which 2.00% interest is charged in advance, which will be refunded when the relevant authority in the Chinese Central government refund the interest allowances to the lender. The tenure of the borrowing is from 8 November 2018 to 7 November 2021 and repayment terms are based on the following schedule: repayments of RMB50,000,000, RMB100,000,000 and RMB140,000,000 on 7 November 2019, 7 November 2020 and 29 October 2021 respectively. The first payment has been made by the Group based on the contractual terms. According to the loan agreement, unpaid principal of RMB100,000,000 is required to be repaid on 7 November 2020. Accordingly, borrowing amount of RMB100,000,000 was recorded as current liability as at 30 June 2020 and amount of RMB140,000,000 was recorded as non-current liability as at 30 June 2020.
- (b) The borrowing with principal amount of RMB100,000,000 was guaranteed by a subsidiary of the Group and secured by the Group's factory plant with net book value of RMB64,602,000 (Note 7) and land use rights with net book value of RMB27,136,000 (Note 7). The interest rate was based on the directive interest rate announced by the People's Bank of China Lhasa Central Sub-branch, which was 4.75% per annum as at 30 June 2020 of which 2.00% interest is charged in advance, which will be refunded when the relevant authority in the Chinese Central government refund the interest allowances to the lender. The tenure of the borrowing is from 18 March 2019 to 17 March 2021 and repayment terms are based on the following schedule: repayments of RMB10,000,000, RMB15,000,000, RMB30,000,000 and RMB45,000,000 on 18 September 2019, 18 March 2020, 18 September 2020 and 7 March 2021 respectively. The first two payments have been made by the Group based on the contractual terms. Due to certain terms of the borrowing agreement, the outstanding borrowing amounting to RMB75,000,000 was recorded as current liability as at 30 June 2020.
- (c) The borrowing with principal amount of RMB150,000,000 was secured by a third party's land use rights. The interest rate is 2.45% based on 160bp down of the one-year Loan Prime Rate ("LPR"). The tenure of the borrowing is from 5 March 2020 to 4 March 2023 and repayment terms are based on the following schedule: repayments of RMB10,000,000, RMB10,000,000, RMB20,000,000, RMB20,000,000, RMB40,000,000 and RMB50,000,000 on 15 August 2020, 15 March 2021, 15 August 2021, 15 March 2022, 15 August 2022 and 4 March 2023 respectively. Due to certain terms of the borrowing agreement, the bank has the potential right to request for repayment of the loan before the contractual maturity dates. Accordingly, the outstanding borrowing amounting to RMB150,000,000 was recorded as current liability as at 30 June 2020.

### 13 BANK BORROWINGS (CONTINUED)

- (d) The balances include the following borrowings from banks:
- (i) The borrowing with principal amount of RMB65,000,000 was guaranteed by the Company and secured by the Group's factory plant with net book value of RMB28,550,000 (Note 7) and land use rights with net book value of RMB952,000 (Note 7). The loan is at fixed interest rate of 3.85% per annum. The tenure of the borrowing is from 20 June 2020 to 19 June 2021.
  - (ii) The borrowing with principal amount of RMB50,000,000 was guaranteed by a subsidiary of the Group and secured by the Group's machineries with net book value of RMB57,436,000 (Note 7). The loan is at fixed interest rate of 4.05% per annum. The tenure of the borrowing is from 6 March 2020 to 5 March 2021.
- (e) The balances include the following borrowings from banks:
- (i) The borrowing with principal amount of RMB100,000,000 was guaranteed by a subsidiary of the Group and was pledged by 15% of an associate's equity interests. The loan is at fixed interest rate of 2.25% per annum. The tenure of the borrowing is from 20 September 2019 to 20 September 2020.
  - (ii) The borrowing with principal amount of RMB60,000,000 was guaranteed by a subsidiary of the Group and the Company, and was pledged by 15% of an associate's equity interests. The loan is at fixed interest rate of 4.15% per annum. The tenure of the borrowing is from 6 December 2019 to 6 December 2020.

## 14 OTHER GAINS, NET

	Unaudited	
	Half-year	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value changes on FVPL (a)	<b>6,370</b>	5,520
Gain on disposal of FVPL	—	4,563
Government grants	<b>3,718</b>	1,211
Donation	<b>(140)</b>	(60)
Others	<b>586</b>	50
	<b>10,534</b>	<b>11,284</b>

- (a) As at 30 June 2020, the Group held structured financial products amounting to RMB180,000,000 (30 June 2019: RMB170,000,000), and related fair value gains of RMB6,370,000 (six months ended 30 June 2019: RMB5,520,000) were recognised for the period ended 30 June 2020.

## 15 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs, administrative expenses and net impairment losses on financial assets are analysed as follows:

	Unaudited	
	Half-year	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	72,107	131,727
Decrease/(Increase) in the balances of inventories of finished goods and work in progress	6,058	(4,654)
Transportation costs	14,998	27,896
Depreciation of PP&E (Note 7)	29,807	28,804
Depreciation of investment properties	117	58
Amortisation of land use rights (Note 7)	357	357
Amortisation of intangible assets (Note 7)	11,025	10,904
Employee benefit expenses	30,806	41,318
Legal and other consulting service fee	4,174	4,172
Advertising and marketing expenditure	13,132	6,342
City construction tax and education surcharge	3,080	6,830
Electricity and other utility expenses	3,876	6,374
Repair, maintenance and rental expenses	2,419	2,186
Net impairment losses on financial assets	10,088	1,870
Others	1,816	3,217
	<u>203,860</u>	<u>267,401</u>

## 16 INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands. Under current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Company. The group entities established under the International Business Companies Acts of the British Virgin Islands are exempted from British Virgin Islands income taxes.

The group entities incorporated in the PRC are subject to PRC enterprise income tax. Major operational entities of the Group are located in the Tibet Autonomous Region of the PRC (“Tibet”) and were entitled to preferential income tax rate. Based on the tax ruling announced by the PRC central tax authorities, the corporate income tax rate of Lhasa is 9% for the years from 2015 to 2021. From 2022 onwards, the corporate income tax rate in Tibet will resume to 15% if no further announcement from the PRC central tax authorities is made. The remaining entities incorporated in the PRC are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2020 and 2019 as determined in accordance with the relevant PRC income tax rules and regulations. The relevant deferred tax balances had been measured based on the expected tax rates applicable in the future. Hong Kong profits tax has been provided for at the rate of 16.5%.

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current income tax	<b>8,495</b>	17,926
Deferred income tax	<b>1,406</b>	(880)
	<b>9,901</b>	17,046

Income tax expense is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year.

## 17 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2020 and 2019 is calculated by dividing:

- the profit attributable to the owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial period, excluding the shares held for share award scheme.

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2020</b>	2019
Profit attributable to owners of the Company (RMB'000)	<b>50,397</b>	146,981
Weighted average number of shares in issue (thousands)	<u><b>2,503,267</b></u>	<u>2,503,267</u>
Earnings per share (basic and diluted) (RMB cents per share)	<u><u><b>2.01</b></u></u>	<u><u>5.87</u></u>

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As at 30 June 2020 and 31 December 2019, the Group has no dilutive ordinary shares.



## **18 DIVIDENDS**

No dividend related to the year ended 31 December 2019 was paid during the six months ended 30 June 2020 (six months ended 30 June 2019: No dividend related to the year ended 31 December 2018 was paid). No dividend has been declared by the Company in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## **19 SEASONALITY OF OPERATIONS**

The sales of the Group for water products are subject to seasonal fluctuations while there is no obvious seasonality of operations for beer products. The peak demand period for water products is the second and third quarters of the year. This is due to the seasonal weather conditions.

In the financial year ended 31 December 2019, 57% of water products revenues accumulated in the second and third quarters of the year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In the first half of 2020, we continued our endeavors in the development of the water industry in Tibet and supplying high-quality products and premium services to our customers.

In the first half of 2020, affected by the global spread of COVID-19 (Coronavirus), the overall economic environment in China and the world has been temporarily and severely adversely affected. As a result, the Group's business, especially the water business, has suffered a great negative impact. Even so, the Group is still actively resuming production and sales, making use of the Group's existing resource advantages, channel advantages and logistics network advantages to commit to long-term development.

In the first half of 2020, our water products have been sold in Mainland China and Hong Kong. In the first half of 2020, the Group's key sales channels, including movie theaters, hotels, airlines and large corporate customers, were severely affected by the spread of COVID-19 (Coronavirus); channels such as e-commerce platforms and household users represented by Jingdong and Tmall remained stable, which brought positive cash inflows to the Group's water business.

Our beer products are mainly sold in Tibet through supermarkets, convenience stores, restaurants and entertainment stores. In the first half of 2020, the proportions of revenue of our beer products within and outside Tibet to the total revenue of our beer products were 98% and 2%, respectively. In the past two years, we have continuously launched beer products with different flavors and packages, such as 6° highland barley beer, highland barley puree beer, etc., to meet the changing needs of the market. Despite the pessimistic sentiment of the overall economic environment, our beer products still maintain a stable market share in Tibet.

As mentioned before, some important sales channels of the Group's water business were severely affected by the spread of COVID-19 (Coronavirus) so the revenue of the water business in the first half of 2020 decreased compared with the same period of the previous year by RMB173 million or 68%. The Group's beer business was also affected by the negative impact of COVID-19 (Coronavirus) on social activities and the overall economy and dropped by RMB15 million or 10%. The Group's revenue decreased by RMB187 million or 46% compared with the same period last year, and the net profit decreased by RMB97 million or 66% compared with the same period last year. For specific reasons, please refer to the related analysis in "Financial Review" section below.

## **FINANCIAL REVIEW**

### **REVENUE**

In the first half of 2020, due to the reasons mentioned in the "Business Review" section above, the total revenue of the Group amounted to RMB223 million, representing a decrease of RMB187 million or 46% in comparison with the first half of 2019.

The revenue generated from our water business segment was RMB83 million, representing a decrease of 68% in comparison with the first half of 2019. Within the water business segment, the revenue of our "5100 Glacial Water" products and "Gesang Spring" products decreased by 60% and 79%, respectively, in comparison with the first half of 2019. The revenue generated from our beer business segment was approximately RMB139 million, representing a decrease of 10% in comparison with the first half of 2019. The revenue generated from our corporate business segment was RMB1 million which was same as the same period of last year.

## **SALES VOLUME**

In the first half of 2020, due to the reasons mentioned in the “Business Review” section above, the total sales volume of the Group’s products amounted to 39,469 tonnes (the first half of 2019: 55,289 tonnes) which consisted of 20,164 tonnes (the first half of 2019: 33,623 tonnes) of our water products and 19,305 tonnes (the first half of 2019: 21,666 tonnes) of our beer products. The overall sales volume of our water products decreased by 40% in comparison with that of the first half of 2019. The sales volume of our “5100 Glacial Water” and our “Gesang Spring” products decreased by 30% and 83%, respectively in comparison with the first half of 2019. The sales volume of our beer products decreased by 11% in comparison with that of the first half of 2019.

## **AVERAGE SELLING PRICE**

In the first half of 2020, the average selling price of our water products was RMB3,920 per tonne, which decreased by 36% compared with the same period of last year (the first half of 2019: RMB6,094 per tonne), mainly due to the Group’s response to market changes and reduced prices to major distributors to attract more end consumers with more favorable prices. In the first half of 2020, the average selling price of our beer products was RMB7,173 per tonne which increased by 2% compared with the same period of last year (the first half of 2019: RMB7,061 per tonne), mainly due to the increase in the share of revenue of highland barley beer products, of which the average selling price was higher.

## **GROSS PROFIT MARGIN**

In the first half of 2020, the overall gross profit margin of the Group was 46%, which decreased by 11 percentage points when compared to the first half of 2019. The gross profit margin of the water business segment was 53%, which decreased by 8 percentage points when compared to the first half of 2019, mainly due to the decrease in average selling price, and the reduction in sales volume which has led to an increase in apportioned fixed costs. The gross profit margin of the beer business segment decreased by 9 percentage points to 41% in the first half of 2020, mainly due to change in product mix, the increase in the proportion of the sales of bottled beer, whose unit cost is higher, resulting in increased costs, and the reduction in sales volume which has led to an increase in apportioned fixed costs.

## **SELLING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES**

In the first half of 2020, the selling and distribution costs decreased by approximately 9% to approximately RMB40 million from RMB44 million in the first half of 2019, mainly due to the decrease in transportation costs. The administrative expenses decreased by approximately 25% from RMB44 million in the first half of 2019 to RMB33 million in the first half of 2020, mainly due to the decrease in staff expenses and traveling expenses when comparing with the first half of 2019.

## **NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS**

Net impairment losses on financial assets included impairment loss on trade receivables. Impairment loss on trade receivables increased from RMB2 million in the first half of 2019 to RMB10 million in the first half of 2020, mainly affected by the slow recovery of the Group's trade receivables due to the overall economic downturn in the first half of 2020. Due to risk considerations consistent with previous years, the Group made impairment loss accordingly.

## **OTHER NET GAINS**

Other net gains mainly included fair value changes on FVPL and government grants. In the first half of 2020, gain on disposal of FVPL decreased from RMB5 million in the first half of 2019 to nil in the first half of 2020, as there was no disposal of FVPL in the first half of 2020. In the first half of 2020, the gain on the fair value changes on FVPL amounted to RMB6 million, which was the same as the same period of last year. Government grants increased from RMB1 million in the first half of 2019 to RMB4 million in the first half of 2020.

## **SHARE OF NET (LOSS)/PROFIT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The share of net profit of investments accounted for using the equity method was mainly the share of net profit of Highland Natural Water whose ultimate controlling shareholder is China Petroleum & Chemical Corporation (“**Sinopec**”). In the first half of 2020, the Group’s 43.981% equity interests in Highland Natural Water did not generate share of Highland Natural Water’s net profit, mainly due to the decreased profit of Highland Natural Water.

The sales volume of Highland Natural Water was 63,807 tonnes, representing a decrease of 49% compared with the first half of 2019, which has mainly been affected by the suspension on public transportation and commercial activities due to COVID-19 (Coronavirus); revenue was RMB155 million, decreased by 44% in comparison with the first half of 2019. Starting from June 2020, the production and sales of Highland Natural Water have returned to the same level as last year.

## **FINANCE NET INCOME/(COSTS)**

In the first half of 2020, the Group incurred finance costs of RMB22 million and gained finance income of RMB54 million. Finance costs decreased by RMB7 million compared with the first half of 2019 mainly due to (i) the decrease of RMB3 million in interest costs on borrowings from banks; and (ii) the decrease of RMB16 million in interest costs on the convertible bonds issued by the Company, which were offset by (iii) the increase of RMB10 million in interest costs on borrowings from third parties; and (iv) the decrease of RMB2 million in amount capitalized in assets under construction. Finance income increased by RMB30 million mainly due to the increase of RMB30 million in interest income from interest-bearing loans to third parties and related parties.

## **INCOME TAX EXPENSE**

In the first half of 2020, the income tax expense was RMB10 million which decreased by RMB7 million when compared to RMB17 million in the first half of 2019. It was mainly due to the decrease in profit before income tax.

## **PROFIT FOR THE HALF-YEAR**

The profit for the half-year period decreased by RMB97 million from RMB147 million for the first half of 2019 to RMB50 million for the first half of 2020, mainly due to (i) the drop in revenue resulting in the decrease in gross profit of the Group by RMB130 million; (ii) the increase in net impairment losses on financial assets of RMB8 million; and (iii) the decrease in share of net profit of investments accounted for using the equity method of approximately RMB18 million; which were offset by (iv) the decrease in selling and distribution costs and administrative expenses of approximately RMB15 million in total; (v) the increase in finance net income of RMB37 million; and (vi) the decrease in income tax expenses of RMB7 million, leading to the decrease in profit for the half-year period.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Profit attributable to owners of the Company decreased by RMB97 million from RMB147 million for the first half of 2019 to RMB50 million for the first half of 2020, which was in line with the decrease in profit for the half-year during the relevant reporting period.

## **FINANCIAL POSITION**

As at 30 June 2020, deferred tax assets of the Group amounted to RMB7 million, compared to RMB10 million as at 31 December 2019. The decrease was mainly due to the decrease in temporary differences caused by impairment write-off of trade receivables.

As at 30 June 2020, net trade receivables of the Group amounted to RMB315 million compared to RMB259 million as at 31 December 2019. The increase was mainly attributable to some of the distributors of the Group repaying the debts slowly.

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. In the first half of 2020, the Group recognised an additional provision for impairment loss of trade receivables of RMB10 million (the first half of 2019: RMB2 million) and write-off provision recognised in the prior year of RMB77 million (the first half of 2019: RMB2 million).

As at 30 June 2020, prepayments of the Group amounted to RMB68 million compared to RMB122 million as at 31 December 2019. The decrease was due to the decrease of RMB1 million in prepayment for purchasing equipment and the decrease of approximately RMB53 million in prepayment for raw materials and services.



As at 30 June 2020, prepaid enterprise income tax of the Group amounted to RMB4 million compared to RMB3 million as at 31 December 2019. The increase was mainly because of the increase in prepaid enterprise income tax in the second quarter of 2020.

As at 30 June 2020, net other financial assets at amortised cost of the Group amounted to approximately RMB1,235 million compared to RMB832 million as at 31 December 2019. As at 30 June 2020, other financial assets at amortised cost mainly included the amounts due from third parties amounting to RMB1,167 million, amounts due from associates amounting to RMB63 million, and other receivables amounting to RMB7 million. As at 30 June 2020, as mentioned above, the Group continued to be committed to the development of Tibet's water industry and allocated resources to the strategic layout of Tibet's water industry. The amounts due from third parties increased by RMB554 million, and the amounts due from associates decreased by RMB127 million. As at 30 June 2020, impairment loss on other financial assets at amortised cost amounted to RMB2 million (31 December 2019: RMB2 million).

As at 30 June 2020, inventories of the Group amounted to RMB45 million compared to RMB53 million as at 31 December 2019. The decrease was mainly attributable to the effective management of the storage quantity of finished goods.

As at 30 June 2020, cash and cash equivalents of the Group decreased by approximately RMB303 million from RMB453 million as at 31 December 2019 to RMB150 million as at 30 June 2020, which was mainly attributable to the cash inflows from operating activities of RMB32 million and cash inflows from financing activities of RMB20 million, offset by the cash outflows from investing activities of approximately RMB355 million. The cash outflows from investing activities of approximately RMB355 million in the first half of 2020 mainly included (i) the net cash outflows for loans to and repayments received from third parties and related parties of RMB374 million and (ii) the purchases of PP&E of RMB6 million; offset by (iii) the net cash inflows from amounts received from third parties of RMB25 million. The cash inflows from financing activities of RMB20 million in the first half of 2020 mainly included (i) net cash inflows from bank borrowings and interests of RMB11 million and (ii) loans obtained from third parties of RMB9 million.

As at 30 June 2020, contract liabilities of the Group amounted to RMB9 million compared to RMB29 million as at 31 December 2019. The decrease was mainly due to the decrease in advances received from customers of the sales of water and beer products of approximately RMB20 million.

As at 30 June 2020, enterprise income tax payable of the Group amounted to RMB31 million compared to RMB34 million as at 31 December 2019. The decrease was mainly due to the decrease in profit before income tax leading to the decrease in enterprise income tax payable of RMB3 million.

As at 30 June 2020, the bank borrowings of the Group increased by RMB24 million, which was mainly because the proceeds from bank borrowings amounting to RMB265 million in the first half of 2020 were offset by repayment of principal of bank borrowings amounting to RMB241 million in the first half of 2020.

## **EMPLOYEES**

As at 30 June 2020, the total number of employees of the Group was 382 compared to 409 as at 30 June 2019. The decrease in the number of employees was mainly due to the fact that, since the second quarter of 2019, the Group's production of preforms and bottle caps has been transferred from the Company's PRC subsidiary to the Group's associate, Fudi Packaging, and the corresponding production and management staff were also transferred to Fudi Packaging. Relevant staff cost of the Group was RMB31 million in the first half of 2020 (the first half of 2019: RMB41 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 2020, 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 and borrowings from third parties) divided by total capital. The total capital is calculated as "equity" as shown in the condensed consolidated balance sheet plus borrowings (including bank borrowings and borrowings from third parties). As at 30 June 2020 and 31 December 2019, the gearing ratios of the Group were 27.74% and 27.14%, respectively.

## **MERGER AND ACQUISITION**

There was no merger and acquisition transaction in the first half of 2020.

## **SIGNIFICANT INVESTMENTS**

In the first half of 2020, the Group acquired PP&E of approximately RMB5 million (the first half of 2019: approximately RMB4 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 2020, the Group has committed to purchasing PP&E of approximately RMB37 million (31 December 2019: RMB37 million), and equity investment of RMB16 million (31 December 2019: 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 2020, (i) a bank loan with the principal amount of RMB290 million (31 December 2019: RMB290 million) of the Group was secured by the pledge of 35% of Tiandi Green; (ii) a bank loan with principal amount of RMB100 million (31 December 2019: RMB100 million) of the Group was secured by the Group’s factory plant with net book value of RMB65 million (31 December 2019: RMB66 million) and land use rights with net book value of RMB27 million (31 December 2019: RMB27 million); (iii) a bank loan with the principal amount of RMB100 million (31 December 2019: RMB100 million) of the Group was secured by the pledge of 15% of Highland Natural Water’s equity interests; (iv) a bank loan with the principal amount of RMB65 million (31 December 2019: RMB66 million) of the Group was secured by the Group’s factory plant with net book value of RMB28 million (31 December 2019: RMB29 million) and land use rights with net book value of RMB1 million (31 December 2019: RMB1 million); (v) a bank loan with the principal amount of RMB60 million (31 December 2019: RMB60 million) of the Group was secured by the pledge of 15%

of Highland Natural Water's equity interests; (vi) a bank loan with the principal amount of RMB50 million (31 December 2019: nil) of the Group was secured by the Group's equipment with net book value of RMB57 million (31 December 2019: nil); and (vii) a bank loan with the principal amount of RMB150 million (31 December 2019: nil) was secured by land use rights of a third party (31 December 2019: nil). The bank acceptance notes amounting to RMB71 million (31 December 2019: RMB71 million) were guaranteed by the Company and a third party company, and were pledged by 7% of Highland Natural Water's equity interests.

## **CONTINGENT LIABILITIES**

The Group provided financial guarantee amounting to RMB370 million to associates as at 30 June 2020 (31 December 2019: RMB200 million). The guarantee was provided for bank borrowings obtained by the associates with the remaining amounts of RMB370 million as at 30 June 2020 (31 December 2019: RMB200 million). The period of guarantee for RMB100 million is from 5 July 2019 to 9 July 2023; the period of guarantee for RMB100 million is from 29 November 2019 to 29 November 2023; the period of guarantee for RMB120 million is from 12 June 2020 to 12 June 2024; and the period of guarantee for RMB50 million is from 26 March 2020 to 25 March 2023.

An associate repaid bank borrowing amounting to RMB100 million on 9 July 2020. The remaining balance of financial guarantee was RMB270 million.

## **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 2020, 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.

## **VALUATION OF PROPERTIES**

For the purpose of the listing of the Company's shares on the Main Board of the Stock Exchange on 30 June 2011, a valuation was conducted on the property interests held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's consolidated financial statements.

With reference to the property valuation set out in Note 4 of Appendix II-A to the Company's prospectus dated 20 June 2011, a revaluation surplus of approximately RMB3,947,000 was identified in respect of the property interests of the Group as at 31 March 2011. If the properties of the Group were accounted for at that valuation, the depreciation charge per annum would increase by approximately RMB130,000.

## **PRODUCTION CAPACITY**

In 2020, the annual water production capacity and annual beer production capacity are expected to be approximately 300,000 tonnes and 200,000 tonnes, same as in 2019. 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 revised usage of the net proceeds has been allocated in the following manner:

	As at 31 December 2019	As at In the first half of 2020	As at 30 June 2020	As at 30 June 2020
Revised usage of net proceeds <i>HKD'Million</i>	Utilized net proceeds <i>HKD'Million</i>	Utilized net proceeds <i>HKD'Million</i>	Utilized net proceeds <i>HKD'Million</i>	Unutilized net proceeds <i>HKD'Million</i>
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	133	133	—	133
Expand our distribution network and toward promotional activities	206	34	12	160
Mergers and acquisitions that complement our existing business	1,092	1,092	—	1,092
Working capital and other general corporate purpose	41	41	—	41
	<u>1,472</u>	<u>1,300</u>	<u>12</u>	<u>1,312</u>
	<u>1,472</u>	<u>1,300</u>	<u>12</u>	<u>1,312</u>

As at 30 June 2020, the Group has utilized net proceeds amounting to HKD133 million, HKD46 million, HKD1,092 million and HKD41 million (i) for expanding our production capacity, (ii) for expanding our distribution network and toward promotional activities, (iii) for mergers and acquisitions that complement our existing business, and (iv) as working capital and for other general corporate purposes, respectively. The remaining net proceeds were deposited in reputable financial institutions and are intended to be applied towards expanding distribution network and towards promotional activities in the coming financial years. The net proceeds were applied and are to be applied according to the intentions disclosed in the Company's announcement dated 10 April 2013.

## **INTERIM DIVIDENDS**

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

## **OUTLOOK**

The Group will continue to make full use of its existing advantages in resources, marketing channels and logistics network to strengthen and solidify its strategic position in Tibet's water industry.

The Group will continue investing in significant resources, strengthen its strategic cooperation with Sinopec and PetroChina Company Limited, fully utilize the water resources and production bases advantages of Highland Natural Water and Shannan Yalaxiangbu and promote additional new strategic cooperation to make the high-quality water from Tibet available to numerous households.

The Group will continue to maintain and develop the advantages of the "5100 Glacial Water" as a premium brand, combine with the resources of the existing key target channels including cinemas, hotels, airlines, e-commerce, office and family users, with marketing and promotional campaigns to continuously improve the brand image and influence.



The Group will intensify its cooperation with various key platforms, including Jingdong and Tmall, in respect of sales and logistics to boost the development of the Group's products in the e-commerce sales channels. Coupled with its service system in the nationwide gas stations channels, the Group will build its service networks which cover more consumers and retail ends to diversify its sales models and make its products available to more users.

## **CORPORATE GOVERNANCE PRACTICES**

For the first half of 2020, the Company has complied with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules.

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 2020. Specific employees who are likely to be in possession of inside information 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 of the Company, consisting of four 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 2020.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

For the first half of 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## **PUBLICATION OF INTERIM REPORT**

Pursuant to the requirements of the Listing Rules, the 2020 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 2020 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.**

**Kevin Cheng WEI**

*Chairman and Independent Non-executive Director*

Hong Kong, 31 August 2020

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