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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)

PROFIT WARNING

This announcement is made by Tibet Water Resources Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the requirements of Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company hereby informs the shareholders (“**Shareholders**”) and potential investors of the Company, based on the Board’s preliminary review of the currently available information, the Group is expected to record a net loss (subject to audit) not more than RMB760 million for the year ended 31 December 2019, as compared with a net profit of approximately RMB317 million recorded for the year ended 31 December 2018, taking into consideration of the one-off impairment loss of not more than RMB900 million on the investment accounted for using equity method (the “**Investment**”). The impairment loss on the Investment is a one-off non-cash item on the carrying amount of the Investment and therefore has no impact on the Group’s current and future operations and cash flows. It is expected that (i) excluding such impairment loss (subject to audit), the Group would record a profit for the year ended 31 December 2019, and that (ii) cash inflows from operating activities remains positive showing a steady growth compared with 2018.

The Investment is attributable to the successive acquisition of an aggregate of 43.981% equity interests in an associate, Tibet Highland Natural Water Limited (“**Highland Natural Water**”) by the Group in November 2014, January 2015, September 2016 and June 2018. Highland Natural Water is principally engaged in the production and sales of bottled and barrelled natural drinking water, as well as import and export businesses in the People’s Republic of China (the “**PRC**”). Highland Natural Water was profitable during the last five years, contributing investment income to the Group in relevant years, and the Group also received or recognised dividends distributed by Highland Natural Water in the years ended 31 December 2018 and 2019.

As disclosed in the Group’s prior year’s annual report, annual review for impairment of goodwill and investment in associates is a key audit matter. Despite of the positive results from Highland Natural Water, the management of the Company (the “**Management**”) foresees a challenging future market environment. The impairment loss of the Investment is made based on the results of the preliminary impairment test by the Management. The considerations include a variety of factors, including a slowing global economic growth affecting the Chinese market adversely combined with competition in the Chinese water market intensifying significantly. Furthermore an originally anticipated significant growth of the business in 2020 has been hampered by the outbreak of the COVID19 pandemic, the negative effects of which has been detrimental to the business environment in the PRC and is likely to continue for the foreseeable near future for Highland Natural Water.

As a consequence hereof, including the uncertain development trends in future to achieve higher growth, the Management has reviewed the impairment test for the Investment based on the changed circumstances and hence, following standard accounting practice, an impairment loss is recognized for the Investment in the year ended 31 December 2019.

Irrespective of the impairment, the Management however remains confident that in the long term, the Investment, both from a strategical and from a financial perspective is in the best interest of the Group.

The Company is currently in the process of preparing the annual results of the Group for the year ended 31 December 2019. As stated herein, the impairment loss on the Investment is a one-off non-cash item and therefore has no impact on the Group's current operation and cash flow. It is expected that (i) excluding such impairment loss (subject to audit), the Group would record a profit for the year ended 31 December 2019, and that (ii) cash inflows from operating activities remains positive showing a steady growth compared with 2018. The information contained herein is only based on the preliminary assessment by the Board based on the unaudited consolidated management accounts of the Group as of the date of this announcement. Such accounts has not been audited or reviewed by the independent external auditors or audit committee of the Company and are subject to adjustment. The final actual audited results of the Group for the year ended 31 December 2019 may be different from those disclosed herein. Shareholders and potential investors are advised to read carefully the annual results announcement for the year ended 31 December 2019 to be published by the Company in due course.

Shareholders and potential investors should exercise caution when dealing in shares of the Company.

By order of the Board
Tibet Water Resources Ltd.
Jesper Bjoern MADSEN

Chairman and Independent Non-executive Director

Hong Kong, 27 March 2020

As of the date of this announcement, the executive Directors are Mr. WANG Dong (Chief Executive Officer), Mr. YUE Zhiqiang and Mr. LIU Chen, the non-executive Directors are Ms. JIANG Xiaohong, Mr. WEI Zhe Ming, Mr. XU Liang and Ms. GUO Kun Kun and the independent non-executive Directors are Mr. Jesper Bjoern MADSEN (Chairman), Mr. Kevin Cheng WEI, Mr. HUNG Ka Hai Clement and Mr. TANG Zeping.