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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 2023**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2023	2022	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
Revenue	<u>172,971</u>	<u>183,847</u>	↓ 5.9%
Adjusted EBITDA*	<u>19,146</u>	<u>39,729</u>	↓ 51.8%
(Loss)/profit for the period attributable to owners of the Company	<u>(13,467)</u>	<u>7,821</u>	N/A
(Loss)/earnings per share		(Restated)	
- Basic and diluted (RMB cents)	<u>(0.35)</u>	<u>0.30</u>	N/A
		As at	As at
		30 June	31 December
		2023	2022
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets		<u>4,259,377</u>	<u>4,140,133</u>
Equity attributable to owners of the Company		<u>3,184,258</u>	<u>2,859,460</u>

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

INTERIM RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tibet Water Resources Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023. These interim results have been reviewed by the Company’s audit committee (the “**Audit Committee**”), comprising all of the independent non-executive Directors, one of whom chairs the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 June	
	<i>Note</i>	2023	2022
		RMB’000	RMB’000
Revenue	5	172,971	183,847
Cost of sales		(122,800)	(121,337)
Gross profit		50,171	62,510
Selling and distribution costs		(16,776)	(12,250)
Administrative expenses		(37,418)	(34,204)
Allowance for expected credit loss (“ ECL ”) on financial assets		(10,395)	(7,687)
Other gains, net	6	7,043	12,293
Operating (loss)/profit		(7,375)	20,662
Finance income, net		1,031	746
Share of result on investments accounted for using the equity method	10	(2,410)	(7,670)
Loss on disposal of investments accounted for using the equity method	10	—	(43)
(Loss)/profit before income tax		(8,754)	13,695
Income tax expense	8	(4,713)	(5,874)
(Loss)/profit for the period	7	(13,467)	7,821
(Loss)/profit for the period attributable to owners of the Company:		(13,467)	7,821
(Loss)/earnings per share attributable to owners of the Company			(Restated)
– basic and diluted (RMB cents per share)	9	(0.35)	0.30

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
(Loss)/profit for the period	(13,467)	7,821
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	2,899	(21,824)
Other comprehensive income/(loss) for the period, net of tax	2,899	(21,824)
Total comprehensive loss for the period	(10,568)	(14,003)
Total comprehensive loss attributable to owners of the Company for the period	(10,568)	(14,003)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Non-current assets			
Right-of-use assets		26,448	27,126
Property, plant and equipment (“PP&E”)		350,421	372,543
Intangible assets		26,280	27,890
Goodwill		721,139	721,139
Investments accounted for using the equity method	10	1,441,506	1,443,916
Deferred tax assets		2,153	4,570
Prepayments		8,024	8,057
		2,575,971	2,605,241
Current assets			
Inventories		135,837	106,538
Trade receivables	11	180,056	190,499
Prepayments		195,672	199,480
Other financial assets at amortised cost		1,145,690	980,228
Cash and cash equivalents		26,151	58,147
		1,683,406	1,534,892
Current liabilities			
Trade and notes payables	12	240,253	246,918
Deferred revenue		2,374	2,374
Contract liabilities		50,722	34,784
Tax payable		30,458	36,258
Accruals and other payables		111,933	180,532
Bank borrowings		216,000	452,000
Lease liabilities		411	730
Convertible bonds - liability component	13	322,705	—
		974,856	953,596
Net current assets		708,550	581,296
Total assets less current liabilities		3,284,521	3,186,537

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

		Unaudited	Audited
		30 June	31 December
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
Non-current liabilities			
Bank borrowings		84,000	—
Deferred revenue		10,206	11,394
Deferred tax liabilities		5,998	6,929
Lease liabilities		59	58
Convertible bonds - liability component	13	—	308,696
		<hr/>	<hr/>
Total non-current liabilities		100,263	327,077
		<hr/>	<hr/>
Net assets		3,184,258	2,859,460
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		34,388	25,580
Reserves		3,149,870	2,833,880
		<hr/>	<hr/>
Total equity attributable to owners of the Company		3,184,258	2,859,460
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The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules. The condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

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

3.1 New and amended standards adopted by the Group

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

3 ACCOUNTING POLICIES (CONTINUED)

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

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

4 SEGMENT INFORMATION

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

(a) Description of segments and principal activities

(i) Water business segment

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

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

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2023 and as at 30 June 2023 are as follows:

	Unaudited			Total <i>RMB'000</i>
	Six months ended 30 June 2023			
	Water business segment <i>RMB'000</i>	Beer business segment <i>RMB'000</i>	Corporate and others <i>RMB'000</i>	
Total segment revenue	48,986	122,491	1,494	172,971
Cost of sales	(41,915)	(80,885)	—	(122,800)
Gross profit	7,071	41,606	1,494	50,171
Share of result on investments accounted for using the equity method	(2,410)	—	—	(2,410)
Allowance for ECL on financial assets	(8,077)	(1,546)	(772)	(10,395)
Adjusted EBITDA*	(15,234)	45,628	(11,248)	19,146
Finance income	10,098	5,198	676	15,972
Finance costs	(1,584)	(1,023)	(12,334)	(14,941)
Depreciation and amortisation	(10,868)	(17,618)	(445)	(28,931)
(Loss)/profit before tax	(17,588)	32,185	(23,351)	(8,754)
Income tax (expenses)/credit	(2,416)	(2,943)	646	(4,713)
(Loss)/profit for the period	(20,004)	29,242	(22,705)	(13,467)

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

	Unaudited As at 30 June 2023		Total RMB'000
	Water business segment RMB'000	Beer business segment RMB'000	
Segment total assets	4,197,118	2,576,326	6,773,444
– Investments accounted for using the equity method	1,441,506	—	1,441,506
Unallocated			
Deferred tax assets			2,153
Assets of corporate and others			94,867
Inter-segment elimination			(2,611,087)
Total assets			4,259,377
Segment total liabilities	1,623,672	470,805	2,094,477
Unallocated			
Deferred tax liabilities			5,998
Liabilities of corporate and others			56,776
Inter-segment elimination			(1,082,132)
Total liabilities			1,075,119

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2022 and as at 31 December 2022 are as follows:

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

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

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

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

	Audited As at 31 December 2022		
	Water business segment <i>RMB '000</i>	Beer business segment <i>RMB '000</i>	Total <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>

5 REVENUE

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of water products	45,510	26,673
Sales of beer products	122,226	153,527
Sales of raw materials and consumables	268	276
	<u>168,004</u>	<u>180,476</u>
Revenue from other sources:		
Rental income	3,473	3,371
Interest income from lending service	1,494	—
	<u>4,967</u>	<u>3,371</u>
	<u><u>172,971</u></u>	<u><u>183,847</u></u>

6 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants (note)	6,189	12,293
Others	854	—
	<u>7,043</u>	<u>12,293</u>

note:

During the current interim period, the Group recognised government grants of RMB6,189,000 (six months ended 30 June 2022: RMB12,293,000) in respect of government subsidies granted to the Group by the local government authorities in the PRC. These grants are generally made for business support and awarded to enterprises on a discretionary basis.

7 (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumables used	81,589	83,230
Transportation costs	8,747	5,340
Depreciation of PP&E	26,633	24,802
Depreciation of right-of-use assets	688	365
Amortisation of intangible assets	1,610	1,614
Employee benefit expenses	32,769	28,557
Legal and other consulting service fee	3,751	4,221
Advertising and marketing expenditure	688	1,242
City construction tax and education surcharge	442	1,307
Electricity and other utility expenses	4,376	4,581
Short-term lease expenses	824	1,881
Allowance for ECL on financial assets		
– Trade receivables	9,349	4,468
– Other financial assets at amortised cost	1,046	3,219

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
PRC Enterprise Income Tax:		
– Current income tax	3,253	6,347
Deferred tax	1,460	(473)
Income tax expense	4,713	5,874

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share for the six months ended 30 June 2023 and 2022 is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2023	2022
		(Restated)
(Loss)/profit attributable to owners of the Company (RMB'000)	(13,467)	7,821
Weighted average number of ordinary shares in issue ('000)	3,844,535	2,565,540
Basic (loss)/earnings per share (RMB cents)	<u>(0.35)</u>	<u>0.30</u>

Note:

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earning per share for the six months ended 30 June 2023 has been adjusted for the effects of the rights issue of shares completed on 30 January 2023. The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the six months ended 30 June 2022 has been adjusted retrospectively for the effects of the rights issue of shares completed on 30 January 2023.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for six months ended 30 June 2023 and 2022 were the same as basic (loss)/earnings per share as the outstanding convertible bonds had anti-dilutive effect on the basic earnings per share.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
At the beginning of the period	1,443,916	1,416,403
Additions	—	54,000
Share of results	(2,410)	(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)
At the end of the period	<u>1,441,506</u>	<u>1,443,916</u>

11 TRADE RECEIVABLES

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

	As at	
	30 June 2023 <i>RMB'000</i> <i>Unaudited</i>	31 December 2022 <i>RMB'000</i> <i>Audited</i>
Within 6 months	57,350	53,607
Over 6 months but within 1 year	46,038	15,498
Over 1 year but within 2 years	76,757	94,717
Over 2 years	103,359	120,776
	<hr/>	<hr/>
	283,504	284,598
Less: allowance for ECL	(103,448)	(94,099)
	<hr/>	<hr/>
	180,056	190,499
	<hr/> <hr/>	<hr/> <hr/>

12 TRADE AND NOTES PAYABLES

	As at	
	30 June 2023 <i>RMB'000</i> <i>Unaudited</i>	31 December 2022 <i>RMB'000</i> <i>Audited</i>
Trade payables	62,483	68,338
Notes payables	177,770	178,580
	<hr/>	<hr/>
	240,253	246,918
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2023 and 31 December 2022, the aging analysis of trade payables based on invoice dates is as follows:

	As at	
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	<i>Audited</i>
Within 3 months	31,977	41,407
Over 3 months but within 6 months	9,988	4,539
Over 6 months but within 1 year	5,104	4,957
Over 1 year but within 2 years	3,808	4,102
Over 2 years	11,606	13,333
	<hr/> 62,483 <hr/>	<hr/> 68,338 <hr/>

As at 30 June 2023 and 31 December 2022, the Group's trade payables were all denominated in RMB and non-interest bearing. The credit period on trade payables are generally within 90 days.

As at 30 June 2023, the bank acceptance notes amounting to approximately RMB177,770,000 (31 December 2022: RMB178,580,000) were guaranteed by bank deposits of approximately RMB17,780,000 (31 December 2022: RMB18,581,000).

13 CONVERTIBLE BONDS – LIABILITY COMPONENT

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

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

During the year ended 31 December 2021, the Convertible Bonds with the principal amount of HK\$22,644,000 (equivalent to RMB19,026,000) were converted into 30,600,000 new shares of the Company at a conversion price of HK\$0.74 per share. No Convertible Bonds were converted during the year ended 31 December 2022 and the period ended 30 June 2023.

The fair value of the liability component of the Convertible Bonds at 30 June 2023 amounted to RMB323,152,000 (31 December 2022: RMB342,379,000), which is calculated using cash flows discounted at the rate of 10.54% (31 December 2022: 10.51%) and are within level 3 of the fair value hierarchy.

The liability component of Convertible Bonds issued in 2021 is as follows:

	<i>RMB’000</i>
Liability component at 31 December 2021 (Audited)	275,684
Interest expenses	22,504
Interest paid/payable	(15,313)
Exchange alignment	25,821
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Liability component at 31 December 2022 (Audited) and 1 January 2023 (Audited)	308,696
Interest expenses	11,795
Interest paid/payable	(7,878)
Exchange alignment	10,092
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Liability component at 30 June 2023 (Unaudited)	322,705
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14 DIVIDENDS

No dividends were paid, declared, or proposed during the period ended 30 June 2023 (six months ended 30 June 2022: Nil). The directors of the Company have determined that no dividend will be paid in respect of the period ended 30 June 2023 (six months ended 30 June 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 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.

The economic restart in the first half of 2023 led to increased flow of people and social gatherings, and sales continued to recover. 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 significant growth in sales volume and an increase of 63% in revenue year over year. The beer business segment has been implementing further strategies to promote our own brand, segment consumers, actively develop and enrich product categories, and create differentiated market positioning, such as the market entry of a new brand, "Tibet Beer", which was produced and sold starting from the second half of 2022, as a new growth point of performance. At the same time, the income from barley beer categories increased. Based on strategic executions, the proportion of cooperative products in total sales reduced from 39% in 2022 to 0.1% in the first half of 2023. As a result, the overall sales volume and sales of the Group's beer products both declined in the first half of 2023.

In the first half of 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 an equity financing in early 2023, 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 the first half of 2023, due to the reasons mentioned in the "Business Review" section above, the total revenue of the Group amounted to RMB173 million, representing a decrease of 5.9% in comparison with the first half of 2022.

The revenue generated from our water business segment was RMB49 million, representing an increase of 63.0% in comparison with the first half of 2022. As the economy began to recover, the sales volume of water products increased significantly, resulting in an increase in revenue and gross profit.

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

	The first half of 2023	The first half of 2022	% change
Volume (hectoliter)	161,539	215,181	↓ 24.9%
Revenue (RMB'000)	122,491	153,794	↓ 20.4%
Adjusted EBITDA* (RMB'000)	45,628	66,813	↓ 31.7%

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

In the first half of 2023, the overall gross profit margin of the Group was 29.0%, which decreased by 5.0 percentage points when compared to the first half of 2022. The gross profit margin of the water business segment was 14.4%, which increased by 2.8 percentage points when compared to the first half of 2022. The gross profit margin of the beer business segment was 34.0% in the first half of 2023, which decreased by 4.4 percentage points when compared to the first half of 2022. The decrease in the overall 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 the first half of 2023, the selling and distribution costs increased by approximately 36.9% to RMB17 million from RMB12 million in the first half of 2022, mainly due to the increase in water sales volumes, leading to higher transportation costs and staff costs. The administrative expenses increased by 9.4% from RMB34 million in the first half of 2022 to RMB37 million in the first half of 2023, mainly due to the increase in salaries and benefits of employees in the water business segment, and the increase in the number of employees at the headquarters, resulting in an increase in expenses.

ALLOWANCE FOR ECL ON FINANCIAL ASSETS

Allowance for ECL on financial assets mainly included the allowance for ECL on trade receivables and other financial assets at amortised cost. The allowance for ECL on trade receivables was RMB9 million in the first half of 2023 (the first half of 2022: RMB4 million). The increase was due to the slowdown in the collection of trade receivables from some customers. The allowance for ECL on other financial assets at amortised cost was RMB1 million in the first half of 2023 (the first half of 2022: RMB3 million).

SHARE OF RESULT ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In the first half of 2023, the share of loss on investments accounted for using the equity method was RMB2 million (share of loss in the first half of 2022: RMB8 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.

INCOME TAX EXPENSE

In the first half of 2023, the income tax expense was RMB5 million which decreased by RMB1 million when compared to RMB6 million in the first half of 2022. This was mainly due to the decrease in profit.

LOSS/PROFIT FOR THE HALF YEAR

For the reasons mentioned above, in the first half of 2023, the loss for the half year was RMB13 million compared to net profit of RMB8 million in the first half of 2022.

OTHER FINANCIAL POSITIONS

As at 30 June 2023, inventories of the Group amounted to RMB136 million compared to RMB107 million as at 31 December 2022. The increase was mainly attributable to an increase in raw materials and packaging materials inventories.

As at 30 June 2023, net trade receivables of the Group amounted to RMB180 million compared to RMB190 million as at 31 December 2022. The decrease was mainly due to the collection of some trade receivables from the customers in the first half of 2023. The Group maintained regular contact with our major debtors through meetings and telephone conversations and paid regular attention to public information about our major debtors to understand the status of their operations, their continuing business needs, and the ways in which the Group can improve its services.

As at 30 June 2023, other financial assets at amortised cost, net of allowance for ECL of the Group amounted to RMB1,146 million compared to RMB980 million as at 31 December 2022. As at 30 June 2023, other financial assets at amortised cost mainly included the amounts due from third parties amounting to RMB1,009 million and other receivables amounting to RMB167 million. As at 30 June 2023, allowance for ECL on other financial assets at amortised cost amounted to RMB30 million.

As at 30 June 2023, contract liabilities of the Group amounted to RMB51 million compared to RMB35 million as at 31 December 2022. The increase was mainly due to the increase in advances received from customers of the sales of water and beer products.

As at 30 June 2023, accruals and other payables of the Group amounted to RMB112 million compared to RMB181 million as at 31 December 2022. As at 30 June 2023, accruals and other payables mainly included salary payables and welfare payables amounting to RMB20 million, amounts received from a third party amounting to RMB14 million, amounts received from an associate amounting to RMB14 million and other payables amounting to RMB64 million.

As at 30 June 2023, the bank borrowings of the Group decreased by RMB152 million when compared to 31 December 2022, which was mainly because of the net repayment of principal of bank borrowings in the first half of 2023.

As at 30 June 2023, the liability component of the Convertible Bonds issued by the Company amounted to RMB323 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 13 to the condensed consolidated financial statements of this announcement.

EMPLOYEES

As at 30 June 2023, the total number of employees of the Group was 348 compared to 371 as at 30 June 2022. Relevant staff cost of the Group was RMB33 million in the first half of 2023 (the first half of 2022: RMB29 million).

The Group adopted a share award scheme in 2017. Up to 30 June 2023, no share has been granted by the Group to any parties under the share award scheme.

GEARING RATIO

The gearing ratio is calculated as borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties) divided by total capital. The total capital is calculated as “equity” as shown in the consolidated statement of financial position plus borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties). As at 30 June 2023 and 31 December 2022, the gearing ratios of the Group were 16.40% and 21.12%, respectively.

MERGER AND ACQUISITION

There was no merger and acquisition transaction in the first half of 2023.

SIGNIFICANT INVESTMENTS

In the first half of 2023, the Group acquired PP&E of RMB5 million (the first half of 2022: RMB1 million). Regarding the future development and outlook of the Group, please refer to the section headed “Outlook” in this “Management Discussion and Analysis” section.

CHARGES (OR PLEDGES)

As at 30 June 2023, (i) a bank loan with a remaining balance of RMB100 million and bank acceptance note of RMB60 million of the Group were secured by the pledge of 35% of equity interest in Tibet Tiandi Green Beverage Development Co., Ltd. and 7% of equity interest in Tibet Highland Natural Water Limited; (ii) 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 (iii) a bank loan with a remaining balance of RMB120 million of the Group was secured by the Group’s factory plant with net book value of RMB51 million and land use rights with net book value of RMB25 million.

As at 30 June 2023, the bank acceptance notes amounting to RMB178 million were guaranteed by bank deposits of RMB18 million.

CONTINGENT LIABILITIES

The Group provided financial guarantee net amounted to RMB195 million (31 December 2022: RMB265 million) to an associate as at 30 June 2023. As at 30 June 2023, the guarantee was provided for bank borrowings obtained by the associate in the net amount of RMB95 million and for bank acceptance note in the net amount of RMB100 million. The period of the guarantee for net amount of RMB100 million is from 13 October 2022 to 13 October 2023. The period of the remaining guarantee amounting to RMB95 million is from 15 July 2021 to 15 July 2024.

FOREIGN EXCHANGE RISK

The Group adopts a conservative approach to cash management and risk control. The Group mainly operates in the PRC with most of its business transactions denominated in RMB. However, the Group is exposed to foreign exchange risk arising from its cash exchange transactions, which are primarily denominated in HKD. To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the first half of 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.

PRODUCTION CAPACITY

In the first half of 2023, the expected annual water production capacity and annual beer production capacity are approximately 300,000 tonnes and 2,000,000 hectoliters respectively, same as in 2022. The Group will assess its production capacity periodically and consider increasing production capacity to meet the demands of future development.

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, the Company's number of issued ordinary shares was 4,079,188,000. As at 30 June 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.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

OUTLOOK

Water Business Segment

The Group will adhere to the “5100” high-end mineral water brand as its core, actively utilize the geographical and cultural advantages of the local brands in Tibet, and seize the golden opportunity of the recovery and rebound in demand of the domestic and overseas tourism, hotel, airline, catering and entertainment industries after the pandemic to intensify its marketing efforts inside and outside the Tibetan region, as well as in Hong Kong and Macau. While deepening cooperation with domestic and overseas hotel brands and management companies, airlines and cinemas, the Group will leverage on its advantage in the exploitation of abundant water resources in Tibet, together with the current consumer demand, target at segment markets, and gradually launch new packaged drinking water products in the second half of the year targeting at different consumer segments and consumption scenarios. By strengthening the development, investment and construction of new offline channels in communities, households and office scenarios, the Group will leverage on the strong sales network advantages of EASY JOY (易捷) and uSmile Convenience Store (昆侖好客便利店), strengthen the linkage between the “Good Tibetan Water” premium brands, and connect online e-commerce platforms and private channels to form an overall organic combination of online and offline channels to attract and interact with the consumers. Together with Sinopec and PetroChina, we will continue to enhance the market influence of the “Good Tibetan Water” and “5100” brands. We will further optimize our supply chain so that consumers can enjoy our products and services more conveniently and quickly, and so that “Good Tibetan Water” can reach more consumers.

Beer Business Segment

The Group will continue to increase sales investment and promotion of the Group’s beer products in the Tibetan region. By setting up sales outlets and service personnel in major cities in the Tibetan region, the Group will deeply plough into the market in the Tibetan region and build up a reputation for its products featuring Tibetan characteristics, with a view to consolidating and increasing the market share of the Group’s beer products in the Tibetan region. To capitalize on the recovery and growth of tourism in the Tibetan region, the Group will launch beer products that are geared towards young people with Tibetan-themed packaging in the second half of the year, using the Group’s speciality “barley beer” as an entry point. Combined with the unique culture and product experience in Tibet, the Group will leverage on the promotional channel diversion through social media and online channels to expand the influence of “barley beer” outside the Tibetan region, strengthen the development and construction of channels in the peripheral areas of Tibet, and bring better Tibetan speciality products to more consumers through the e-commerce platforms and the advantageous channel resources of the Water Business Segment.

CORPORATE GOVERNANCE PRACTICES

For the first half of 2023, the Company has complied with the Corporate Governance Code (the “Code”) as set out in Appendix 14 to the Listing Rules, save for following deviations.

Under Code Provision C.1.6 of the Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. 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 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 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.

The Audit Committee, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group, and has reviewed the interim results for the first half of 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

For the first half of 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

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

The changes of Directors’ information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the annual report of the Company for the year ended 31 December 2022 are set out below:

Following the appointment of Mr. CHENG Gwan Sing, an executive Director, as the chairman of the risk management committee of the Company with effect from 21 July 2023, he is entitled to an additional fee of HK\$20,000 per annum as the chairman of the risk management committee of the Company.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules, the 2023 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 2023 and will be despatched to the shareholders of the Company and uploaded on the websites of the Company (<http://www.twr1115.net>) and the Stock Exchange (<http://www.hkexnews.hk>) in due course.

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

Chairman and Independent Non-executive Director

Hong Kong, 31 August 2023

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.