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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 2019**

<b>FINANCIAL HIGHLIGHT</b>			
	<b>Half-year</b>		<b>Change</b>
	<b>2019</b>	<b>2018</b>	<b>%</b>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Revenue from contracts with customers (RMB'000)	<b>409,785</b>	447,165	↓ 8%
Profit attributable to the owners of the Company (RMB'000)	<b>146,981</b>	170,566	↓ 14%
Earnings per share			
– Basic (RMB cents)	<b>5.87</b>	6.81	↓ 14%
– Diluted (RMB cents)	<b>5.87</b>	6.81	↓ 14%
Sales volume (Tonnes)	<b>55,289</b>	59,181	↓ 7%
	<b>As at</b>	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	
	<i>(Unaudited)</i>	<i>(Audited)</i>	
Total assets (RMB'000)	<b>5,352,216</b>	4,912,191	↑ 9%
Equity attributable to owners of the Company (RMB'000)	<b>3,604,130</b>	3,459,296	↑ 4%

## 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 2019. 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, and the Company’s external auditor, PricewaterhouseCoopers.

## CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2019	Audited 31 December 2018
	Note	<i>RMB’000</i>	<i>RMB’000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	7	28,888	29,245
Property, plant and equipment (“ <b>PP&amp;E</b> ”)	7	549,206	578,997
Investment properties		4,796	—
Intangible assets	7	77,617	88,521
Goodwill	7	721,139	721,139
Investments accounted for using the equity method	8	1,610,334	1,574,938
Deferred tax assets		2,791	2,838
Prepayments		38,517	38,613
Financial assets at fair value through other comprehensive income (“ <b>FVOCI</b> ”)		231,881	231,881
Financial assets at fair value through profit or loss (“ <b>FVPL</b> ”)		16,517	11,517
<b>Total non-current assets</b>		<b>3,281,686</b>	<b>3,277,689</b>
<b>Current assets</b>			
Trade receivables	9	395,890	289,885
Prepayments		155,201	141,552
Prepaid enterprise income tax		6,340	6,358
Other financial assets at amortised cost	10	790,615	641,117
Inventories		52,543	99,160
Financial assets at fair value through profit or loss (“ <b>FVPL</b> ”)		179,839	179,278
Cash and cash equivalents		490,102	277,152
<b>Total current assets</b>		<b>2,070,530</b>	<b>1,634,502</b>
<b>Total assets</b>		<b>5,352,216</b>	<b>4,912,191</b>

## CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2019	Audited 31 December 2018
	Note	<i>RMB'000</i>	<i>RMB'000</i>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		21,363	21,363
Share premium		1,206,829	1,206,829
Shares held for share award scheme		(173,037)	(173,037)
Other reserves		175,777	177,924
Retained earnings		2,373,198	2,226,217
<b>Total equity attributable to owners of the Company</b>		<b>3,604,130</b>	<b>3,459,296</b>
Non-controlling interests		96	40
<b>Total equity</b>		<b>3,604,226</b>	<b>3,459,336</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	13	240,000	240,000
Other Payables	12	16,000	—
Deferred revenue		19,731	20,942
Deferred tax liabilities		14,328	15,255
<b>Total non-current liabilities</b>		<b>290,059</b>	<b>276,197</b>
<b>Current liabilities</b>			
Trade and notes payables	11	252,490	78,721
Deferred revenue		2,373	2,373
Contract liabilities		19,477	21,225
Enterprise income tax payable		27,307	25,974
Accruals and other payables	12	213,656	129,692
Bank borrowings	13	561,000	461,000
Convertible bond - liability component	14	381,628	457,673
<b>Total current liabilities</b>		<b>1,457,931</b>	<b>1,176,658</b>
<b>Total liabilities</b>		<b>1,747,990</b>	<b>1,452,855</b>
<b>Total equity and liabilities</b>		<b>5,352,216</b>	<b>4,912,191</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Half-year	
	Note	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Revenue from contracts with customers	6	409,785	447,165
Cost of sales	16	(177,412)	(193,811)
<b>Gross profit</b>		<b>232,373</b>	253,354
Selling and distribution costs	16	(43,635)	(52,881)
Administrative expenses	16	(44,484)	(39,236)
Net impairment losses on financial assets	16	(1,870)	—
Other gains, net	15	11,284	16,338
<b>Operating profit</b>		<b>153,668</b>	177,575
Finance income		23,723	11,547
Finance costs		(28,760)	(17,724)
Finance costs - net		(5,037)	(6,177)
Share of net profit of investments accounted for using the equity method	8	15,396	14,045
<b>Profit before income tax</b>		<b>164,027</b>	185,443
Income tax expense	17	(17,046)	(14,877)
<b>Profit for the half-year</b>		<b>146,981</b>	170,566
<b>Profit attributable to:</b>			
– Owners of the Company		146,981	170,566
		<b>146,981</b>	170,566
<b>Earnings per share for profit attributable to owners of the Company</b>			
– Earnings per share (basic and diluted) (RMB cents per share)	18	5.87	6.81

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>2019</b>	2018
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Profit for the half-year</b>	<u><b>146,981</b></u>	<u>170,566</u>
<b>Other comprehensive loss:</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Currency translation differences	<u>(2,147)</u>	<u>(4,173)</u>
<b>Other comprehensive loss for the half-year, net of tax</b>	<u><b>(2,147)</b></u>	<u>(4,173)</u>
<b>Total comprehensive income for the half-year</b>	<u><u><b>144,834</b></u></u>	<u><u>166,393</u></u>
<b>Attributable to:</b>		
– Owners of the Company	<u><b>144,834</b></u>	<u>166,393</u>
<b>Total comprehensive income for the half-year</b>	<u><u><b>144,834</b></u></u>	<u><u>166,393</u></u>

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							Total equity RMB'000
	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	
<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>
<b>Balance at 31 December 2017 as originally presented</b>	21,363	1,206,829	(158,868)	191,921	1,913,143	3,174,388	—	3,174,388
Change in accounting policy	—	—	—	(5,884)	5,884	—	—	—
<b>Restated total equity as at 31 December 2017</b>	<u>21,363</u>	<u>1,206,829</u>	<u>(158,868)</u>	<u>186,037</u>	<u>1,919,027</u>	<u>3,174,388</u>	<u>—</u>	<u>3,174,388</u>
<b>Balance at 1 January 2018</b>	<u>21,363</u>	<u>1,206,829</u>	<u>(158,868)</u>	<u>186,037</u>	<u>1,919,027</u>	<u>3,174,388</u>	<u>—</u>	<u>3,174,388</u>
Profit for the half-year	—	—	—	—	170,566	170,566	—	170,566
Currency translation differences	—	—	—	(4,173)	—	(4,173)	—	(4,173)
<b>Total comprehensive income for the half-year</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,173)</u>	<u>170,566</u>	<u>166,393</u>	<u>—</u>	<u>166,393</u>
Acquisition of shares under share award scheme	—	—	(14,169)	—	—	(14,169)	—	(14,169)
<b>Balance at 30 June 2018</b>	<u>21,363</u>	<u>1,206,829</u>	<u>(173,037)</u>	<u>181,864</u>	<u>2,089,593</u>	<u>3,326,612</u>	<u>—</u>	<u>3,326,612</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>2019</b>	<b>2018</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>		
Cash generated from operations	301,086	156,438
Interest received	371	1,911
Income tax paid	(16,575)	(18,029)
<b>Net cash flows from operating activities</b>	<b>284,882</b>	<b>140,320</b>
<b>Cash flows from investing activities</b>		
Purchases of PP&E	(1,228)	(9,005)
Government grants received relating to fixed assets	—	1,641
Purchases of FVPL	(345,000)	(340,000)
Proceeds from disposal of FVPL	349,522	352,432
Loans granted to third parties	(685,692)	(321,755)
Repayments received from loans to third parties	764,020	277,117
Amounts advanced to third parties	(169,104)	(270,000)
Amounts received from third parties	162,482	268,339
Amounts paid to related parties	(231,424)	(170,000)
Amounts received from a related party	—	108,000
Prepayment for investment in an associate	—	(100,000)
Payment for investment in an associate	(4,000)	—
<b>Net cash flows used in investing activities</b>	<b>(160,424)</b>	<b>(203,231)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	246,000	266,000
Repayments of bank borrowings and interests	(161,206)	(246,273)
Payments for shares bought back	—	(14,169)
Coupon interest payments relating to convertible bond	—	(13,158)
Capital injections from a non-controlling interest	56	—
Loans from third parties	3,959	—
<b>Net cash flows from/(used in) financing activities</b>	<b>88,809</b>	<b>(7,600)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>213,267</b>	<b>(70,511)</b>
Cash and cash equivalents at the beginning of the half-year	277,152	830,773
Exchange (losses)/gains	(317)	215
<b>Cash and cash equivalents at end of the half-year</b>	<b>490,102</b>	<b>760,477</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 financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

### Key event

In May 2019, Center Faithful Limited, a wholly-owned subsidiary of the Company and third parties entered into an agreement to establish a company named Great Wall 5100 Technology Co., Ltd. ("**Great Wall 5100**"). Great Wall 5100 is a company specialising in the distribution of water products. Based on the articles of association of Great Wall 5100, the Group owns 40% of its shares and has right to participate in operational decision-making process of Great Wall 5100. As such, the Group treats the investment as an investment accounted for using the equity method. As at 30 June 2019, total equity contribution to Great Wall 5100 is RMB20,000,000, including cash payment of RMB4,000,000 and other payables amounting to RMB16,000,000.

In May 2019, Zhuhai Guangyuan Huijin Equity Investment Fund (Limited Partnership) ("**Zhuhai Guangyuan**"), a subsidiary of the Company, acquired 20% of the equity interests of Shanghai Maikaite Network Technology Co., Ltd. ("**Shanghai MKT**"). Shanghai MKT is a company specialising in programme development and intelligence property agency. As at 30 June 2019, total investment in Shanghai MKT is RMB5,000,000, which is accounted as FVPL by the Group.



## **1 GENERAL INFORMATION (CONTINUED)**

### **Key event (continued)**

The Group's convertible bond with par value of HKD525,000,000 was matured on 24 June 2019. None of the bond holders exercised the conversion option of the convertible bond and thus the Group was required to repay the bond holders in cash upon maturity. Based on the contractual terms, the Group can repay the bond holders by 16 July 2019. By 30 June 2019, the Group had repaid principal of RMB94,050,000. By 16 July 2019, the Group had repaid the remaining balance in full, amounting to RMB382,277,000, representing principal of RMB366,589,000 and interest of RMB15,688,000.

## **2 BASIS OF PREPARATION**

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standards IAS 34 *Interim financial reporting*. The interim report does 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 2018 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 standard as set out below.

### **3.1 New standard adopted by the Group**

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

#### **IFRS 16 Leases – Accounting policies applied from 1 January 2019**

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

### 3 ACCOUNTING POLICIES (CONTINUED)

#### 3.1 New standard adopted by the Group (continued)

IFRS 16 Leases – Accounting policies applied from 1 January 2019 (continued)

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

### 3 ACCOUNTING POLICIES (CONTINUED)

#### 3.1 New standard adopted by the Group (continued)

IFRS 16 Leases – Accounting policies applied from 1 January 2019 (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

As at 1 January 2019 and through the 6 months period ended 30 June 2019, all the Group's operating leases' remaining lease terms are within 12 months, thus the Group treats the leases as short-term leases according to the practical expedients permitted by the standard. And the Group elected to recognise the lease payments as an expense on a straight-line basis over the lease term. Thus, there is no significant impact on the Group's financial statements from application of IFRS 16 as at 1 January 2019 and during the half year ended 30 June 2019.

### 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 this condensed consolidated interim financial report, 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 2018, with the exception of the changes in estimates that are required in the impairment assessment for the investment in an associate - Tibet Highland Natural Water Limited ("**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 cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

Management has performed an impairment assessment of the investment in Highland Natural Water as at 30 June 2019. Based on the assessment, management has concluded there was no impairment of this investment.

#### 4 ESTIMATES (CONTINUED)

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

Items	Assumptions used	Movement of key assumptions	Decrease of value-in-use (RMB'000)
Compound annual revenue growth rate	22.8%~28.0% from 2019 to 2021; 7.3%~22.2% from 2022 to 2026	Decrease by 1%	209,711
Long-term growth rate	3.0%	Decrease to 2%	84,651
Gross margin	53.2%~57.4%	Decrease by 5%	345,645
Pre-tax discount rate	12.6%	Increase to 13.6%	162,427
Government subsidy income	Continued government subsidy income from 1 July 2019 onwards	Discontinued government subsidy income from 1 July 2019 onwards	10,130

Based on management's analysis above, the negative movements of the key assumptions in the table above are unlikely to happen and thus no impairment loss is noted for the investment in Highland Natural Water for the six months ended 30 June 2019.

#### 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 used of water products to associates and third parties, leasing two production lines and a plant to associates and providing lending services to third parties in Hong Kong with relevant license.

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Description of segments and principal activities (continued)

#### *(ii) Beer segment*

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

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

### (b) Segment information disclosures

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

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

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment information disclosures (continued)

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

	<b>Unaudited</b>			
	<b>Six months ended 30 June 2019</b>			
	<b>Water segment</b>	<b>Beer segment</b>	<b>Inter-segment elimination</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total segment revenue	256,808	154,330	(1,353)	409,785
Cost of sales	<u>(101,571)</u>	<u>(77,194)</u>	<u>1,353</u>	<u>(177,412)</u>
<b>Gross profit for the period</b>	<u>155,237</u>	<u>77,136</u>	<u>—</u>	<u>232,373</u>
<b>Profit for the period</b>	<u><u>85,063</u></u>	<u><u>61,918</u></u>	<u><u>—</u></u>	<u><u>146,981</u></u>
Net impairment losses on financial assets	<u>(1,870)</u>	<u>—</u>	<u>—</u>	<u>(1,870)</u>
Depreciation and amortisation	<u>(14,912)</u>	<u>(25,211)</u>	<u>—</u>	<u>(40,123)</u>

5 SEGMENT INFORMATION (CONTINUED)

	Unaudited		
	As at 30 June 2019		
	Water segment	Beer segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	3,637,649	2,480,440	6,118,089
Investments accounted for using the equity method	1,610,334	—	1,610,334
<b>Unallocated</b>			
FVPL			196,356
FVOCI			231,881
Deferred tax assets			2,791
Corporate assets			48,504
Inter-segment elimination			<u>(1,245,405)</u>
<b>Total assets</b>			<u><u>5,352,216</u></u>
Segment total liabilities	1,432,855	507,076	1,939,931
<b>Unallocated</b>			
Deferred tax liabilities			14,328
Corporate liabilities			502,838
Inter-segment elimination			<u>(709,107)</u>
<b>Total liabilities</b>			<u><u>1,747,990</u></u>

## 5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Directors for the reportable segments for the six months ended 30 June 2018 and as at 31 December 2018 is as follows:

	Unaudited			Total <i>RMB'000</i>
	Six months ended 30 June 2018			
	Water segment <i>RMB'000</i>	Beer segment <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	
Total segment revenue	274,054	176,882	(3,771)	447,165
Cost of sales	<u>(105,689)</u>	<u>(91,893)</u>	<u>3,771</u>	<u>(193,811)</u>
<b>Gross profit for the period</b>	<b><u>168,365</u></b>	<b><u>84,989</u></b>	<b><u>—</u></b>	<b><u>253,354</u></b>
<b>Profit for the period</b>	<b><u>102,127</u></b>	<b><u>68,439</u></b>	<b><u>—</u></b>	<b><u>170,566</u></b>
Depreciation and amortisation	<u>(12,933)</u>	<u>(26,585)</u>	<u>—</u>	<u>(39,518)</u>



## 5 SEGMENT INFORMATION (CONTINUED)

	Audited		
	As at 31 December 2018		
	Water segment	Beer segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	3,389,461	2,308,455	5,697,916
Investments accounted for using the equity method	1,574,938	—	1,574,938
<b>Unallocated</b>			
FVPL			190,795
FVOCI			231,881
Deferred tax assets			2,838
Corporate assets			30,614
Inter-segment elimination			<u>(1,241,853)</u>
<b>Total assets</b>			<u><u>4,912,191</u></u>
Segment total liabilities	1,458,808	218,992	1,677,800
<b>Unallocated</b>			
Deferred tax liabilities			15,255
Corporate liabilities			465,355
Inter-segment elimination			<u>(705,555)</u>
<b>Total liabilities</b>			<u><u>1,452,855</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 used of water products to associates and third parties and leases two production lines and a plant to associates. Breakdown of the revenue is as follows:

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Sales of water products	<b>204,888</b>	222,451
Sales of beer products	<b>152,977</b>	173,111
Sales of raw materials and consumables	<b>48,411</b>	48,594
Rental income	<b>2,416</b>	1,029
Interest income from financing services provided	<b>1,093</b>	1,980
	<hr/>	<hr/>
	<b>409,785</b>	447,165
	<hr/> <hr/>	<hr/> <hr/>

Revenue from external customers of the Group were derived in the PRC for the six months ended 30 June 2019 and 2018.

**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 at</b>				
<b>1 January 2019</b>	<b>29,245</b>	<b>578,997</b>	<b>88,521</b>	<b>721,139</b>
Additions	—	<b>3,867</b>	—	—
Transfers	—	<b>(6,438)</b>	—	—
Depreciation and amortisation-additions (Note 16)	<b>(357)</b>	<b>(28,804)</b>	<b>(10,904)</b>	—
Depreciation and amortisation-transfers	—	<b>1,584</b>	—	—
<b>Closing net book amount at</b>				
<b>30 June 2019</b>	<b>28,888</b>	<b>549,206</b>	<b>77,617</b>	<b>721,139</b>
<b>Opening net book amount at</b>				
<b>1 January 2018</b>	29,969	606,723	110,466	721,139
Additions	—	10,694	—	—
Depreciation and amortisation (Note 16)	<b>(357)</b>	<b>(28,270)</b>	<b>(10,891)</b>	—
<b>Closing net book amount at</b>				
<b>30 June 2018</b>	<b>29,612</b>	<b>589,147</b>	<b>99,575</b>	<b>721,139</b>

As at 30 June 2019, factory plants with net book value of RMB95,740,000 and land use rights with net book value of RMB28,822,000 were secured for bank borrowings with carrying amounts of RMB66,000,000 and RMB100,000,000 (Note 13) (As at 31 December 2018, factory plants with net book value of RMB31,352,000 and land use rights with net book value of RMB992,000 were secured for bank borrowings with carrying amounts of RMB66,000,000).

## 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Six months ended 30 June 2019 <i>RMB'000</i> <i>Unaudited</i>
<b>At the beginning of the half-year</b>	<b>1,574,938</b>
Additions (a)	20,000
Share of net profit of investments accounted for using the equity method	<u>15,396</u>
<b>At end of the half-year</b>	<b><u><u>1,610,334</u></u></b>

- (a) In May 2019, Center Faithful Limited, a wholly-owned subsidiary of the Company and third parties entered into an agreement to establish a company named Great Wall 5100. Great Wall 5100 is a company specialising in the distribution of water products. Based on the articles of association of Great Wall 5100, the Group owns 40% of its shares and has right to participate in operational decision-making process of Great Wall 5100. As such, the Group treats the investment as an investment accounted for using the equity method. As at 30 June 2019, total equity contribution to Great Wall 5100 is RMB20,000,000, including cash payment of RMB4,000,000 and other payables of RMB16,000,000.

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 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Assets	1,211,951	1,218,728
Liabilities	<u>617,071</u>	<u>655,723</u>

## 8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue	<b>275,074</b>	253,353
Share of profit	<b>15,046</b>	14,435
Percentage held	<b>43.981%</b>	40%

## 9 TRADE RECEIVABLES

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

	<b>As at</b>	
	<b>30 June 2019</b>	31 December 2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b><i>Unaudited</i></b>	<i>Audited</i>
Within 6 months	<b>228,780</b>	180,205
Over 6 months but within 1 year	<b>72,124</b>	46,220
Over 1 year but within 2 years	<b>94,935</b>	61,532
Over 2 years	<b>1,959</b>	3,761
	<b>397,798</b>	291,718
Less: Provision for impairment of trade receivables	<b>(1,908)</b>	(1,833)
	<b>395,890</b>	289,885

For the period ended 30 June 2019, impairment provision amounting to RMB1,870,000 (Note 16) was recognised and provision amounting to RMB1,795,000 was written off (As at 31 December 2018, trade receivables amounting to RMB1,833,000 were impaired and provided for).

## 10 OTHER FINANCIAL ASSETS AT AMORTISED COST

	As at	
	30 June 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Amounts due from third parties (a)	529,741	576,421
Amounts due from associates (b)	255,287	22,877
Government grant receivable	—	37,800
Deposits	210	335
Others	5,377	3,684
	<u>790,615</u>	<u>641,117</u>

(a) The balances mainly include the following items:

- The loan to a third party company with outstanding principal amounts of RMB164,321,000 (2018: RMB213,083,000) and accrued interest of RMB2,040,000 (2018: RMB1,427,000), which bore an annual interest rate of 10%. The repayment terms of the loan are based on the following schedule: repayments of RMB16,321,000, RMB8,000,000, RMB40,000,000, RMB60,000,000 and RMB40,000,000 on 29 January 2020, 5 March 2020, 21 March 2020, 30 May 2020 and 11 June 2020 respectively.
- The loan to a third party company with outstanding principal amounts of RMB260,124,000 (2018: RMB175,880,000) and accrued interest of RMB5,723,000 (2018: RMB1,764,000), which bore an annual interest rate of 10%. The repayment terms of the loan are based on the following schedule: repayments of RMB15,000,000, RMB1,000,000, RMB60,000,000, RMB92,000,000, RMB16,000,000, RMB21,800,000, RMB1,700,000, RMB18,938,000 and RMB33,686,000 on 10 January 2020, 23 January 2020, 29 February 2020, 13 March 2020, 4 May 2020, 25 June 2020, 26 June 2020, 27 June 2020 and 29 June 2020 respectively.

## 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 amounts of RMB76,500,000 (2018: RMB53,000,000) and accrued interest of RMB2,174,000 (2018: RMB292,000), which bore an annual interest rate of 4.35%. The repayment terms of the loan are based on the following schedule: repayments of RMB2,000,000, RMB34,500,000 and RMB40,000,000 on 17 January 2020, 22 January 2020 and 23 January 2020 respectively.
- (b) The balances include the following items:
- The loan to Tibet Fudi Natural Beverage Packaging Ltd. (“**Fudi Packaging**”), with principal amount of RMB22,000,000 (2018: RMB22,000,000) and accrued interest of RMB1,864,000 (2018: RMB877,000) which bore an annual interest rate of 10%. The repayment terms of the loan are based on the following schedule: repayments of RMB2,000,000 and RMB20,000,000 on 12 January 2020 and 8 February 2020 respectively.
  - Amounts due from Highland Natural Water and Fudi Packaging are RMB223,000,000 and RMB8,423,000 respectively. They were unsecured, non-interest bearing and repayable on demand.

The Group’s maximum exposure to credit risk at the balance sheet date is the carrying amounts of the receivables mentioned above. The Group does not hold any collateral as security.

## 11 TRADE AND NOTES PAYABLES

	<b>As at</b>	
	<b>30 June 2019</b>	31 December 2018
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<i><b>Unaudited</b></i>	<i>Audited</i>
Trade payables	61,458	73,275
Notes payables	191,032	5,446
	<u>252,490</u>	<u>78,721</u>

As at 30 June 2019 and 31 December 2018, the aging analysis of trade payables based on invoice dates is as follows:

	<b>As at</b>	
	<b>30 June 2019</b>	31 December 2018
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<i><b>Unaudited</b></i>	<i>Audited</i>
Within 3 months	30,383	56,232
Over 3 months but within 6 months	15,720	9,983
Over 6 months but within 1 year	8,843	2,386
Over 1 year but within 2 years	1,847	548
Over 2 years	4,665	4,126
	<u>61,458</u>	<u>73,275</u>

According to the agreement of bank acceptance notes, maturity dates of notes payables are based on the following schedule: RMB2,369,000, RMB68,790,000, RMB110,577,000 and RMB9,296,000 on 8 September 2019, 18 January 2020, 29 February 2020, and 10 April 2020 respectively.



## 12 ACCRUALS AND OTHER PAYABLES

	As at	
	30 June 2019	31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Salary payables	5,641	3,278
Welfare payables	4,053	7,637
Payables for value added tax and other taxes	10,281	7,579
Accrued operating expenses	9,545	18,353
Payables for purchase of equipment	13,898	14,248
Audit fee payable	1,071	6,060
Professional service fee payable	3,800	5,363
Amounts payable for equity investment in associates	25,430	9,430
Amounts received from a third party	49,044	49,044
Deposits from customers	1,420	1,434
Borrowings from third parties (a)	98,319	—
Others	7,154	7,266
	<u>229,656</u>	<u>129,692</u>
Less:		
Non-current portion - other payables for equity investment in an associate	<u>16,000</u>	<u>—</u>
<b>Current portion</b>	<b><u>213,656</u></b>	<b><u>129,692</u></b>

(a) The balances include the following items:

- The loan from a third party company with outstanding principal amounting to RMB1,759,000 and accrued interest of RMB8,000 (2018: nil). The loan bore an annual interest at 6% and is repayable on 2 December 2019.
- The loans from a third party company with outstanding principal amounting to RMB4,182,000, RMB87,668,000, RMB2,200,000 and RMB2,200,000 and accrued interest of RMB302,000 (2018: nil). The loans bore an annual interest rate of 7% and are repayable on 23 December 2019, 24 December 2019, 26 December 2019 and 27 December 2019, respectively. 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.

### 13 BANK BORROWINGS

	As at	
	30 June 2019	31 December 2018
	<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)	<u>240,000</u>	<u>240,000</u>
<b>Current</b>		
Current portion of long-term borrowing from		
a bank – Guaranteed and pledged (a)	50,000	50,000
Current portion of long-term borrowing from		
a bank – Guaranteed and secured (b)	100,000	—
Current portion of long-term borrowing from		
a bank – Guaranteed (c)	115,000	115,000
Short-term borrowing from a bank – Guaranteed and secured (d)	66,000	66,000
Short-term borrowing from a bank – Guaranteed and pledged (e)	100,000	100,000
Short-term borrowings from banks – Guaranteed (f)	<u>130,000</u>	<u>130,000</u>
	<u>561,000</u>	<u>461,000</u>
<b>Total borrowings</b>	<u><b>801,000</b></u>	<u><b>701,000</b></u>

The borrowings were all denominated in RMB as at 30 June 2019 and 31 December 2018.

- (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 2019 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. According to the loan agreement, unpaid principal of RMB50,000,000 is required to be repaid on 7 November 2019. Accordingly, borrowing amount of RMB50,000,000 was recorded as current liability as at 30 June 2019 and 31 December 2018 and amount of RMB240,000,000 was recorded as non-current liability as at 30 June 2019 and 31 December 2018.

### 13 BANK BORROWINGS (CONTINUED)

- (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 RMB65,322,000 (Note 7) and land use rights with net book value of RMB27,835,000 (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 2019 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. 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 RMB100,000,000 was recorded as current liability as at 30 June 2019.
- (c) The borrowing with principal amount of RMB120,000,000 was guaranteed by a subsidiary of the Group. The interest rate was based on the general interest rate in Tibet region, which was 2.75% per annum as at 30 June 2019. During the period of the loan, the interest rate will be adjusted according to the directive interest rate published by the People's Bank of China Lhasa Central Sub-branch every twelve months. The tenure of the borrowing is from 28 April 2018 to 28 April 2020 and repayment terms are based on the following schedule: repayments of RMB5,000,000, RMB5,000,000 and RMB110,000,000 on 18 October 2018, 18 October 2019 and 28 April 2020 respectively. The first payment has been made by the Group based on the contractual terms. 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 RMB115,000,000 was recorded as current liability as at 30 June 2019 and 31 December 2018.
- (d) The borrowing with principal amount of RMB66,000,000 was guaranteed by the Company and secured by the Group's factory plant with net book value of RMB30,418,000 (Note 7) and land use rights with net book value of RMB987,000 (Note 7). The loan was repaid and reborrowed in 2019. The loan is at fixed interest rate of 4.35% per annum. The tenure of the borrowing is from 20 June 2019 to 19 June 2020.
- (e) The borrowing with principal amount of RMB100,000,000 was guaranteed by a subsidiary of the Group and was pledged by 5% of an associate's equity interests. The loan is at fixed interest rate of 2.35% per annum. The tenure of the borrowing is from 3 September 2018 to 3 September 2019.

### 13 BANK BORROWINGS (CONTINUED)

- (f) The balances include the following borrowings from banks:
- (i) The borrowing with principal amount of RMB80,000,000 was guaranteed by the Company and a subsidiary of the Group. The loan was repaid and reborrowed in 2019. The loan is at fixed interest rate of 4.35% per annum. The tenure of the borrowing is from 16 May 2019 to 16 November 2019.
  - (ii) The borrowing with principal amount of RMB50,000,000 was guaranteed by the Company and a subsidiary of the Group. The loan is at fixed interest rate of 4.35% per annum. The tenure of the borrowing is from 25 September 2018 to 24 September 2019.

The Group has no undrawn borrowing facilities as at 30 June 2019 and 31 December 2018.

### 14 CONVERTIBLE BOND – LIABILITY COMPONENT

	<b>As at</b>	
	<b>30 June 2019</b>	31 December 2018
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<i><b>Unaudited</b></i>	<i><b>Audited</b></i>
<b>Current</b>		
Convertible bond - liability component	<u><u>381,628</u></u>	<u><u>457,673</u></u>

The movement of convertible bond-liability component is as follows:

	<i><b>RMB'000</b></i>
<b>Liability component at 31 December 2018</b>	<b>457,673</b>
Interest expense	<b>16,188</b>
Cash repayment	<b>(94,050)</b>
Currency translation differences	<u><b>1,817</b></u>
<b>Liability component at 30 June 2019</b>	<u><u><b>381,628</b></u></u>

By 30 June 2019, a third party company had repaid the convertible bond amounting to RMB94,050,000 on behalf of the Company. Such amounts were recorded as loans from a third party company. Please see Note 12 for details.

## 15 OTHER GAINS, NET

	Unaudited	
	Half-year	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of FVPL (a)	4,563	6,548
Fair value changes on FVPL (b)	5,520	9,079
Government grants	1,211	1,693
Donation	(60)	(1,421)
Others	50	439
	<u>11,284</u>	<u>16,338</u>

- (a) The Group purchased financial products issued by a financial institution in the PRC. These financial products will mature within one year with variable return rates indexed to the performance of the underlying assets. During the six months ended 30 June 2019, the Group disposed these investments amounting to RMB340,000,000 (six months ended 30 June 2018: RMB340,000,000), which resulted in a gain amounting to RMB4,563,000 (six months ended 30 June 2018: RMB6,548,000).
- (b) As at 30 June 2019, the Group held structured financial products amounting to RMB170,000,000, and related fair value gains of RMB5,520,000 were recognised for the half-year.

## 16 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:

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2019</b>	2018
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Raw materials and consumables used	<b>131,727</b>	139,437
Increase in the balances of inventories of finished goods and work in progress	<b>(4,654)</b>	(1,486)
Transportation costs	<b>27,896</b>	32,465
Depreciation of PP&E (Note 7)	<b>28,804</b>	28,270
Amortisation of land use rights (Note 7)	<b>357</b>	357
Amortisation of intangible assets (Note 7)	<b>10,904</b>	10,891
Depreciation of investment properties	<b>58</b>	—
Employee benefit expenses	<b>41,318</b>	40,872
Legal and other consulting service fee	<b>4,172</b>	3,582
Advertising and marketing expenditure	<b>6,342</b>	7,707
City construction tax and education surcharge	<b>6,830</b>	7,967
Electricity and other utility expenses	<b>6,374</b>	9,812
Repair, maintenance and rental expenses	<b>2,186</b>	3,730
Provision for impairment of trade receivables (Note 9)	<b>1,870</b>	—
Others	<b>3,217</b>	2,324
	<b>267,401</b>	285,928

## 17 INCOME TAX EXPENSE

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

Certain subsidiaries of the Group incorporated in the PRC are subject to PRC enterprise income tax. Entities in the Tibet Autonomous Region of the PRC were entitled to preferential tax rate of 9% for the six months ended 30 June 2019 and 2018. The remaining entities are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2019 and 2018 as determined in accordance with the relevant PRC income tax rules and regulations.

	<b>Unaudited</b>	
	<b>Half-year</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Current income tax	<b>17,926</b>	20,569
Deferred income tax	<b>(880)</b>	(5,692)
	<b><u>17,046</u></b>	<b><u>14,877</u></b>

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. The estimated average annual tax rate used for the year ending 31 December 2019 is about 10.4% (2018: the estimated average annual tax rate was 8.0%).

## 18 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2019 and 2018 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>2019</b>	2018
Profit attributable to owners of the Company (RMB'000)	<b>146,981</b>	170,566
Weighted average number of shares in issue (thousands)	<u><b>2,503,267</b></u>	<u>2,503,550</u>
Earnings per share (basic and diluted) (RMB cents per share)	<u><u><b>5.87</b></u></u>	<u><u>6.81</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 2019, the Group has no dilutive ordinary shares.



## **19 DIVIDENDS**

No dividend related to the year ended 31 December 2018 was paid during the six months ended 30 June 2019 (six months ended 30 June 2018: No dividend related to the year ended 31 December 2017 was paid). No dividend has been declared by the Company in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

## **20 EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 15 July 2019 and 16 July 2019, the Group repaid the remaining balance of the convertible bond for amount of RMB382,277,000, representing convertible bond principal of RMB366,589,000 and interest of RMB15,688,000. The source of the fund used for the repayment of convertible bond was loans from two entities. One entity is ultimately held by Mr. Wang Peter Jian (the substantial shareholder of the Company), and the other entity is ultimately held by Mr. Wang Peter Jian's spouse. These loans bore an annual interest at 7%, not secured, and are repayable in December 2019.

## **21 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 2018, 60% 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 2019, we continued our endeavors in supplying high-quality products and premium services to our customers.

The market continued to be characterized by strong competition and a challenging economic environment, which had a general impact on premium products. The total sales volume and revenue of the Group decreased by 7% and 8%, respectively, in comparison with the first half of 2018.

### OUR WATER BUSINESS SEGMENT

Due to the decrease in average selling price, the revenue of our water business segment (mainly include “Tibet 5100 Glacial Spring Water” (“**5100 Glacial Water**”) and “Gesang Spring” products) decreased by 6%, in comparison with the first half of 2018; however, due to the increase in sales volume of our “5100 Glacial Water”, our total sales volume of water business segment has increased satisfactorily by 4%. The co-branding product, “Easy Joy • Zhuoma Spring”, sold by our associate, Highland Natural Water, saw a continuing increase in popularity at Easy Joy convenience stores at China Petroleum & Chemical Co., Ltd. (“**Sinopec**”) gas stations throughout China. The Group’s share of net profit of Highland Natural Water increased by 4% compared with the same period of last year.

Retail distributors and institutional clients remained our major customer base. As at 30 June 2019, our water products have been sold throughout Mainland China and Hong Kong. In Mainland China, we have been building a relationship with well-known domestic cinemas, high end international and domestic chain hotels, e-commerce platforms represented by Jingdong and Tmall, airlines, large enterprise customers and home users; in Hong Kong, our products have covered major retailers and are widely distributed in high-end hotels and tourist and entertainment venues.

## **OUR BEER BUSINESS SEGMENT**

Due to the strong competition in the relatively limited market in Tibet, the sales volume and revenue of our beer products decreased by 19% and 12%, respectively, in comparison with the first half of 2018; however, the gross profit margin increased by 1 percentage point in comparison with the first half of 2018 due to change in our products mix. In the first half of 2019, our beer products were sold in Tibet mainly through supermarkets, convenience stores, restaurants and entertainment outlets. The proportion of revenue of our beer products within and outside Tibet in the total revenue of our beer products was 81% and 19%, respectively.

## **FINANCIAL REVIEW**

### **REVENUE**

In the first half of 2019, the total sales of the Group amounted to RMB410 million, representing a decrease of RMB37 million or 8% in comparison with the first half of 2018.

The revenue generated from our water business segment was RMB257 million, representing a decrease of 6% in comparison with the first half of 2018. Among the water products, the revenue of our “5100 Glacial Water” decreased by 6% in comparison with the first half of 2018 due to change of customer mix. Further, with strong competition in the lower priced segment, the revenue of “Gesang Spring” products also decreased by 25% in comparison with the first half of 2018.

The revenue generated from our beer business segment was RMB153 million, representing a decrease of 12% in comparison with the first half of 2018 due to the above-mentioned reasons in the “Business Review” section.

## **SALES VOLUME**

In the first half of 2019, the total sales volume of the Group's products amounted to 55,289 tonnes (the first half of 2018: 59,181 tonnes) which consisted of 33,623 tonnes (the first half of 2018: 32,430 tonnes) of our water products and 21,666 tonnes (the first half of 2018: 26,751 tonnes) of our beer products.

The overall sales volume of our water products increased by 4% in comparison with that of the first half of 2018. Sales volume of our "5100 Glacial Water" increased by 9% in comparison with the first half of 2018. However, with strong competition in the lower priced segment, sales volume of our "Gesang Spring" products decreased by 14% in comparison with the first half of 2018.

The sales volume of our beer products decreased by 19% in comparison with that of the first half of 2018, due to the above-mentioned reasons in the "Business Review" section.

## **AVERAGE SELLING PRICE**

The average selling price fluctuated with the change in our customers mix and our products mix. In the first half of 2019 and the first half of 2018, the average selling price of our water products was RMB6,094 per tonne and RMB6,859 per tonne, respectively, which was decreased by 11% compared with the same period of last year, mainly due to change of our customers mix. In the first half of 2019 and the first half of 2018, the average selling price of our beer products was RMB7,061 per tonne and RMB6,471 per tonne, respectively. Due to increase in proportion of draft beer products with higher average selling price in total revenue, the average selling price increased by 9% compared with the same period of last year.

## **GROSS PROFIT MARGIN**

In the first half of 2019, the gross profit margin of the Group maintained the same satisfactory level as in the first half of 2018. The gross profit margin of the water business segment was 61%, which in the first half of 2018 was 62%. The gross profit margin of the beer business segment was 50%, which in the first half of 2018 was 49%. The overall gross profit margin of the Group was 57%, which was the same as in the first half of 2018.

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

In the first half of 2019, the selling and distribution costs decreased by 17% to RMB44 million from RMB53 million in the first half of 2018, mainly due to the decrease in transportation costs and promotion fees. The administrative expenses increased by 13% from RMB39 million in the first half of 2018 to RMB44 million in the first half of 2019, mainly due to the increase in staff cost and related expenses.

## **OTHER NET GAINS**

Other net gains mainly included gain on disposal of FVPL, fair value changes on FVPL and government grants. In the first half of 2019, gain on disposal of FVPL decreased from RMB7 million in the first half of 2018 to RMB5 million in the first half of 2019. Fair value changes on FVPL decreased from RMB9 million in the first half of 2018 to RMB6 million in the first half of 2019. Government grants decreased from RMB1.69 million in the first half of 2018 to RMB1.21 million in the first half of 2019.

## **SHARE OF NET PROFIT OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

The share of net profit of investments accounted for using the equity method mainly included the share of net profit of Highland Natural Water whose ultimate controlling shareholder is Sinopec. In the first half of 2019, the Group's 43.981% equity interests in Highland Natural Water has generated share of Highland Natural Water's net profit of RMB15 million, representing an increase of 4% in comparison with the first half of 2018.

The sales volume of Highland Natural Water was 124,556 tonnes, representing an increase of 11% compared with the first half of 2018. Revenue was RMB275 million, increased by 9% in comparison with the same period of last year.

## **FINANCE NET COSTS**

In the first half of 2019, the Group incurred finance costs of RMB29 million and gained finance income of RMB24 million. Finance costs increased by RMB11 million compared with the first half of 2018 mainly due to (i) the decrease of RMB1 million in exchange gains; (ii) the increase of RMB10 million in interest costs on borrowings from banks; and (iii) the increase of RMB1 million in interest costs on the convertible bond issued by the Company, offset by the increase of RMB1 million in amount capitalized in assets under construction. Finance income increased by RMB12 million mainly due to the increase of RMB14 million in interest income from interest-bearing loans to third parties, offset by the decrease of RMB2 million in bank interest income.

## **INCOME TAX EXPENSE**

In the first half of 2019, the income tax expense was RMB17 million which was increased by RMB2 million when compared to RMB15 million in the first half of 2018. Since the estimated expected income tax rate used in the initial recognition of deferred income tax liabilities has been changed according to the updated regulations, there was an one-off reversal of deferred income tax in the first half of 2018 which amounted to RMB5 million. The effective tax rate in the first half of 2019 was 10% (in the first half of 2018: 8%).

## **PROFIT FOR THE PERIOD**

The profit for the period moderately decreased by RMB24 million or 14% from RMB171 million for the first half of 2018 to RMB147 million for the first half of 2019. Despite the reduction in transportation costs and promotion fees leading to the decrease in selling and distribution costs by RMB9 million compared with the same period of last year, the drop in total revenue, leading to the decrease in the gross profit by RMB21 million, coupled with increase of administrative expenses by RMB5 million, decrease of other net gains by RMB5 million and net impairment losses on financial assets of RMB2 million, resulting in a decrease in the profit for the first half of 2019.

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

Profit attributable to owners of the Company decreased by RMB24 million or 14% from RMB171 million for the first half of 2018 to RMB147 million for the first half of 2019, which was in line with the decrease in net profit during the relevant reporting period.

## **FINANCIAL POSITION**

As at 30 June 2019, investment properties of the Group amounted to RMB5 million compared to nil as at 31 December 2018. Starting from 1 April 2019, Tibet Tiandi Green Beverage Development Co., Ltd. (“**Tiandi Green**”) leased its injection molding workshop to Fudi Packaging. On 1 April 2019, the management transferred the cost and depreciation of the injection workshop of RMB5 million to investment properties based on cost method.

As at 30 June 2019, net trade receivables of the Group amounted to RMB396 million compared to RMB290 million as at 31 December 2018. The increase was mainly attributable to the increase in trade receivables from some of the institutional clients and distributors.

The Group maintained regular contact with our major debtors through meetings and telephone conversations to understand the status of their operations, their continuing business needs and the ways in which the Group can improve its services. During such meetings and conversations, the Group was not aware of any material circumstances indicating any problem in recovering its trade receivables from its major debtors. In the first half of 2019, the Group recognised provision for impairment loss of trade receivables of RMB1.91 million (2018: RMB1.83 million).

As at 30 June 2019, inventories of the Group amounted to RMB53 million compared to RMB99 million as at 31 December 2018. The decrease was mainly attributable to the decrease in balance of raw materials.

As at 30 June 2019, other financial assets at amortised cost of the Group amounted to RMB791 million compared to RMB641 million as at 31 December 2018. As at 30 June 2019, other financial assets at amortised cost mainly included the amounts due from third parties amounted to RMB530 million and the amounts due from associates amounted to RMB255 million.

As at 30 June 2019, cash and cash equivalents of the Group increased by RMB213 million from RMB277 million as at 31 December 2018 to RMB490 million as at 30 June 2019, which was mainly attributable to the cash inflows from operating activities of RMB285 million, the cash inflows from financing activities of approximately RMB88 million, and offset by cash outflows for investing activities of RMB160 million. The cash inflows from financing activities of approximately RMB88 million in the first half of 2019 mainly included net cash inflows from bank borrowings of approximately RMB84 million and loans from third parties of RMB4 million. The cash outflows for investing activities of RMB160 million in the first half of 2019 mainly included (i) the net cash outflows for third parties and related parties of RMB238 million; (ii) the payment for investment in an associate of RMB4 million; and (iii) the purchases of PP&E of RMB1 million, offset by (i) the net cash inflows from loans to and repayments received from third parties of RMB78 million, and (ii) the net cash inflows from purchases and disposals of FVPL of RMB5 million.

As at 30 June 2019, trade and notes payables of the Group amounted to RMB252 million compared to RMB79 million as at 31 December 2018. The increase was on the one hand due to the fact that the procurement was mainly settled in the form of bills in the first half of 2019, on the other hand due to the timing difference of purchasing and settling between the half year of 2019 and end of the year of 2018.

As at 30 June 2019, accruals and other payables of the Group increased by RMB100 million, which was mainly attributable to (i) the increase in payables for loans from third parties of RMB98 million, for details, please refer to Note 12 of notes to the condensed consolidated financial statements of this announcement; (ii) the increase in payables for the equity investment in an associate of RMB16 million; and (iii) the increase in payables for value-added tax and other taxes of RMB3 million; offset by (i) the decrease in accrued transportation costs payables of RMB9 million; (ii) the decrease in audit fee payables of RMB5 million; (iii) the decrease in other payables of RMB2 million; and (iv) the decrease in salary payables and welfare payables of RMB1 million.



As at 30 June 2019, the bank borrowings of the Group increased by RMB100 million, which was due to a new bank borrowing of the principal loan amounting to RMB100 million in the first half of 2019.

## **EMPLOYEES**

As at 30 June 2019, the total number of employees of the Group was 409 compared to 439 as at 30 June 2018. Relevant staff cost was RMB41 million in the first half of 2019, same as in the first half of 2018.

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.

## **GEARING RATIO**

The gearing ratio is calculated as borrowings (including bank borrowings, convertible bond and borrowings from third parties) divided by total capital. The total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings (including bank borrowings, convertible bond and borrowings from third parties). As at 30 June 2019 and 31 December 2018, the gearing ratios of the Group were 26.22% and 25.09%, respectively.

## **MERGER AND ACQUISITION**

There was no merger and acquisition transaction in the first half of 2019.

## **SIGNIFICANT INVESTMENTS**

In May 2019, Center Faithful Limited, a wholly-owned subsidiary of the Company and third parties entered into an agreement to establish Great Wall 5100. Great Wall 5100 is a strategic investment cooperation of the Company with Dr. Peng Telecom & Media Group Co., Ltd., an A-share listed company (stock code: 600804). Great Wall 5100 is a company specialising in the distribution of water products. Based on the articles of association of Great Wall 5100, the Group owns 40% of its shares and has right to participate in operational decision-making process of Great Wall 5100. As such, the Group treats the investment as an investment accounted for using the equity method. As at 30 June 2019, total equity contribution to Great Wall 5100 is RMB20 million, including cash payment of RMB4 million and other payables amounting to RMB16 million.

In May 2019, Zhuhai Guangyuan, a subsidiary of the Company, acquired 20% of the equity interests of Shanghai MKT. Shanghai MKT is a company specialising in programme development and intelligence property agency. As at 30 June 2019, total investment in Shanghai MKT is RMB5 million, which is accounted as FVPL by the Group.

In the first half of 2019, the Group acquired PP&E of approximately RMB4 million (for the first half of 2018: approximately RMB11 million). Regarding the future development and outlook of the Group, please refer to the section headed “Outlook” in the “Management Discussion and Analysis” section.

## **CAPITAL COMMITMENTS**

As at 30 June 2019, the Group has committed to purchasing PP&E of approximately RMB73 million (31 December 2018: RMB73 million), and the equity investment of RMB206 million (31 December 2018: RMB198 million).

## **CHARGES**

As at 30 June 2019, (i) a bank loan with the principal amount of RMB290 million (31 December 2018: RMB290 million) of the Group was secured with the pledge of 35% of Tiandi Green's equity interests; (ii) a bank loan with principal amount of RMB100 million (31 December 2018: nil) of the Group was secured by the Group's factory plant with net book value of RMB65 million (31 December 2018: nil) and land use rights with net book value of RMB28 million (31 December 2018: nil); (iii) a bank loan with the principal amount of RMB100 million (31 December 2018: RMB100 million) of the Group was secured with the pledge of 5% of Highland Natural Water's equity interests; and (iv) a bank loan with the principal amount of RMB66 million (31 December 2018: RMB66 million) of the Group was secured by the Group's factory plant with net book value of RMB30 million (31 December 2018: RMB31 million) and land use rights with net book value of RMB1 million (31 December 2018: RMB1 million). As at 30 June 2019 and 31 December 2018, the convertible bond was secured by the entire issued shares of Wealth Keeper Limited, a wholly-owned subsidiary of the Group.

## **CONTINGENT LIABILITIES**

As at 30 June 2019 and 31 December 2018, the Group did not have contingent liabilities.

## **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 2019, 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 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**

The annual water production capacity and annual beer production capacity for the year ending 31 December 2019 are approximately 300,000 tonnes and 200,000 tonnes, same as for the year ended 31 December 2018. The Group will assess its production capacity periodically and consider increasing production capacity to meet the demands of future development.



As at 30 June 2019, the Group has utilized net proceeds amounting to HKD133 million, HKD34 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 2019 (for the six months ended 30 June 2018: nil).

## **OUTLOOK**

Up to now, the natural drinking water industry in Tibet is a pillar industry strongly supported by the Tibet Autonomous Regional Government. Our “5100 Glacial Water”, “Gesang Spring”, and “Easy Joy • Zhuoma Spring” under the cooperation of our Group and Sinopec have been the leading brands in Tibet's natural drinking water industry. In August 2019, PetroChina Company Limited (“**PetroChina**”) has acquired control of Tibet Shannan Yalaxiangbu Industrial Ltd. (“**Shannan Yalaxiangbu**”), and has begun the sales of Shannan Yalaxiangbu's products in “Kunlun Haoke” convenience stores in the gas stations. As a result, there were more than 60,000 gas stations of Sinopec and PetroChina in aggregate throughout China being involved in the sale of natural drinking water from Tibet, supporting the positive development of the Tibet's natural drinking water industry. We intend to further develop more high quality sales channels. Meanwhile, we have cooperated with JD.com and Alibaba in order to deliver Tibet's natural drinking water to huge number of families along with our development of high quality sales channels. During the second half of 2019, the Group will further invest in Shannan Yalaxiangbu in order to involve deeply in and stimulate the rapid development of Tibet's natural drinking water industry, and to improve the Group's position and strategic layout in Tibet's water resources. The Group will cooperate with large corporate enterprises to further expand the natural drinking water industry and will continue to do so in the foreseeable future. The Group is well positioned to benefit from the aforementioned development and consumers' increasing demand for high quality and healthy products.

According to the “Development Plan for Natural Drinking Water Industry of Tibet Autonomous Region (2015-2025)” formulated by the Tibet Autonomous Regional Government, the development goal of Tibet’s natural drinking water industry is to increase the production capacity of natural drinking water in the region to 5 million tonnes or more by 2020, and 10 million tonnes by 2025. The Company, as the only overseas listed company in Tibet Autonomous Region and the leading representative of Tibet’s natural drinking water industry, will benefit from the strong support of the development policy of Tibet’s natural drinking water industry and also bear a great responsibility in the development of Tibet’s natural drinking water industry. In response to national and regional government guidelines and plans, the Group will seize the opportunity to participate in the development of new water sources and natural drinking water product packaging related industries. In the next few years, with the leadership and support of the Tibet Autonomous Regional Government, the Group will further strengthen and consolidate its leading position in Tibet’s natural drinking water industry and make important contributions to the realization of Tibet’s natural drinking water industry development plan.

#### **REPAYMENT OF CONVERTIBLE BOND**

The Group’s convertible bond with par value of HKD525 million and relevant coupon interest of HKD18 million was matured on 24 June 2019. None of the bond holders exercised the conversion option of the convertible bond and thus the Group was required to repay the bond holders in cash upon maturity. Based on the contractual terms, the Group can repay the bond holders by 16 July 2019. By 30 June 2019, the Group had repaid HKD107 million (equivalent to RMB94 million). By 16 July 2019, the Group repaid the remaining balance in full, amounting to HKD436 million (equivalent to RMB382 million).

The source of the fund used for the repayment of convertible bond was loans from two entities. One entity is ultimately held by Mr. Wang Peter Jian (the substantial shareholder of the Company), and the other entity is ultimately held by Mr. Wang Peter Jian’s spouse. These loans bore an annual interest at 7%, not secured, and are repayable in December 2019.

In the view of the directors of the Company, the loans received as mentioned above were fully exempted connected transaction as they were conducted on better commercial terms and were not secured by the assets of the Group in accordance with Rule 14A.90 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

## **EVENTS AFTER THE BALANCE SHEET DATE**

On 15 July 2019 and 16 July 2019, the Group repaid the remaining balance of the convertible bond for amount of RMB382 million, representing the principal portion of RMB367 million and interest portion of approximately RMB15 million.

## **CORPORATE GOVERNANCE PRACTICES**

For the first half of 2019, the Company has complied with the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to Listing Rules, save for the deviations as follows:

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

- Ms. JIANG Xiaohong (being a non-executive Director) was unable to attend the annual general meeting held on 30 May 2019 as she was obliged to be away for the Group’s other matters.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**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 2019. 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 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 2019. The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the first half of 2019 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

For the first half of 2019, 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 2019 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 2019 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.**

**Jesper Bjoern MADSEN**

*Chairman and Independent Non-executive Director*

Hong Kong, 27 August 2019

*As of the date of this announcement, the executive Directors are Mr. WANG Dong (Chief Executive Officer), Mr. YUE Zhiqiang, Mr. LIU Chen and Ms. HAN Linyou, the non-executive Director is Ms. JIANG Xiaohong, the independent non-executive Directors are Mr. Jesper Bjoern MADSEN (Chairman), Mr. LEE Conway Kong Wai and Mr. Kevin Cheng WEI.*