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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)

**PROPOSED ISSUE OF 5% CONVERTIBLE BONDS IN
PRINCIPAL AMOUNT OF HK\$379,620,000 DUE 2024**

PROPOSED ISSUE OF 5% CONVERTIBLE BONDS

The Board hereby announces that on 2 February 2021 (after trading hours), the Company entered into the Subscription Agreements with the Investors, whereby the Investors agreed to subscribe for and the Company agreed to issue the Bonds with an aggregate principal amount of HK\$379,620,000 on the Closing Date.

Assuming full conversion of the Bonds at the Conversion Price of HK\$0.74, the Bonds will be convertible into 513,000,000 Shares, representing approximately 19.97% of the existing issued share capital of the Company and approximately 16.65% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 30 June 2020 to allot, issue and otherwise deal with up to 513,778,600 Shares, representing 20% of the total number of Shares then in issue. As of the date of this announcement, no Share has been issued under such general mandate. Such general mandate is sufficient for the issue and allotment of the Conversion Shares. Accordingly, the issue and allotment of the Conversion Shares is not subject to the approval of the Shareholders.

No application will be made for the listing of the Bonds. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

As the conditions precedent to the completion of the Subscription Agreements may or may not be satisfied, Shareholders and prospective investors are advised to exercise caution when dealing with the Shares.

PROPOSED ISSUE OF 5% CONVERTIBLE BONDS

THE SUBSCRIPTION AGREEMENTS

On 2 February 2021 (after trading hours), the Company and the Investors entered into the Subscription Agreements whereby the Investors agreed to subscribe for and the Company agreed to issue the Bonds with an aggregate principal amount of HK\$379,620,000, the principal terms of which are set out below:

Parties:

The Company and the Investors

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the Investors and their ultimate beneficial owners are third parties independent of the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Conditions Precedent

Completion of a Subscription Agreement is conditional upon the satisfaction of the following matters:

- (a) the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Conversion Shares, and such approval remaining valid and effective;

- (b) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to completion of such Subscription Agreement (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the relevant Investor's Subscription of Bonds or any transactions contemplated by such Subscription Agreement and the Bond Documents;
- (c) no litigation, action, suit, investigation, claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the relevant Investor's Subscription of Bonds or any transactions provided for by such Subscription Agreement and the Bond Documents having been instituted and not settled or otherwise terminated;
- (d) the warranties made on the date of such Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect on the Closing Date by reference to the circumstances on the date of such Subscription Agreement; and
- (e) there has been no material adverse change in the business, operations, assets and financial position of the Group taken as a whole since the date of such Subscription Agreement.

An Investor may waive (in whole or in part, whether conditionally or unconditionally) any of the conditions precedent above (except for those referred to in paragraphs (a) and (b) above), provided that any such waiver shall be without prejudice to such Investor's right under the relevant Subscription Agreement to elect to treat any further or other breach, failure or event as releasing and discharging such Investor from its obligations to subscribe for Bonds under such Subscription Agreement.

If the conditions precedent above under a Subscription Agreement are not fulfilled (or waived if applicable) by the Long Stop Date, either the Company or the relevant Investor may (by notice in writing to the Company) terminate such Subscription Agreement whereupon such Subscription Agreement shall lapse immediately thereafter and be of no further effect, but all rights and liabilities of the Company and the relevant Investor which have accrued before termination shall continue to exist.

Each Subscription Agreement is not inter-conditional with the other Subscription Agreements.

Termination

An Investor may, by notice in writing to the Company given on or before the Closing Date, terminate a Subscription Agreement if at any time prior to completion of such Subscription Agreement:

- (a) the Company commits any material breach of or omits in any material respect to observe any of its obligations or undertakings under such Subscription Agreement and such breach or omission will not be cured by the Closing Date;
- (b) the Shares cease to be listed on the Stock Exchange;
- (c) there has been a suspension of trading of the Shares on the Stock Exchange for 20 consecutive Trading Days or more after the date of such Subscription Agreement; or
- (d) any of the conditions precedent under such Subscription Agreement become incapable of being fulfilled (and is not waived by such Investor) on or prior to the Long Stop Date.

Covenant by the Company

Under each Subscription Agreement, the Company has undertaken to use all reasonable endeavours to procure that, save as required or contemplated by such Subscription Agreement, prior to completion of such Subscription Agreement, its business shall be operated as a going concern on its normal and usual basis as carried on prior to the date of such Subscription Agreement.

PRINCIPAL TERMS OF THE BONDS

Maturity Date

The third anniversary of the Issue Date

Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall on the Maturity Date redeem all the Bonds then outstanding at the principal amount of the Bonds together with the accrued interest on such Bonds for the period from (and including) the last interest date to (but excluding) the Maturity Date.

Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders, at the principal amount of the Bonds together with any interest accrued but unpaid to the date specified in the tax redemption notice for redemption, if: (a) the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and (b) such obligation cannot be avoided by the Company taking reasonable measures available to it.

Right to Redeem Bonds upon Relevant Event

If any of the events below occurs, a Holder will have the right at such Holder's option to require the Company to redeem all or some of such Holder's Bonds at their Early Redemption Amount:

- (a) the Shares cease to be listed or admitted to trading on the Stock Exchange;
- (b) there is a Change of Control; or
- (c) the trading in the Shares on the Stock Exchange is withdrawn or suspended other than for a temporary suspension of trading for a period of not more than 30 consecutive Trading Days.

Events of Default

Upon the occurrence of any event of default, (i) a Holder shall have the right to require the Company to redeem some or all of the Bonds held by it by delivering a redemption notice to the Company and the Company shall redeem such Bonds no later than 10 Business Days after receipt of such redemption notice at the Early Redemption Amount; and (ii) each Holder shall be entitled to exercise any or all of its rights, remedies, powers or discretions under the Bond Documents. Certain events specified in the Bond Instrument in relation to the following are events of default for this purpose:

- (a) failure of the Company to make payment under the Bond Documents;
- (b) failure of the Company to deliver Conversion Shares;
- (c) other defaults of the Company under the Bond Documents;

- (d) cross default of the Group involving aggregate amount of relevant indebtedness, guarantees and indemnities of not less than HK\$100 million;
- (e) enforcement proceedings against the assets or revenues of the Company;
- (f) enforcement of security against the Company;
- (g) winding up, dissolution, judicial management or administration of the Company or cessation of business of the Company;
- (h) insolvency of the Company;
- (i) nationalization of the assets of the Company;
- (j) failure to obtain necessary authorization or consents or to take any action to ensure enforceability of the Bonds;
- (k) illegality in the Company's performance under the Bonds or for the Company to conduct its business;
- (l) amendment to constitutional documents of the Company or the documents constituting the Bonds which adversely affects the Holder's rights;
- (m) breach of the Subscription Agreements by the Company; and
- (n) any event having analogous effect to any of the events above.

Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at a rate of 5% per annum, payable semi-annually in arrears on 30 June and 31 December of each year before and on the Maturity Date.

Default Interest

If the Company fails to pay any sum in respect of the Bonds when the same becomes due and payable, in addition to interest above (which shall continue to accrue), default interest shall accrue on the overdue sum at the rate of 2% per annum, from the due date up to the date payment is received by the relevant Holder.

Conversion Shares

The number of Conversion Shares to be issued on a conversion of the Bonds shall be determined by dividing the principal amount of the Bonds to be converted by the Conversion Price in effect on the conversion date. The Conversion Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 30 June 2020 to allot, issue and otherwise deal with up to 513,778,600 Shares, representing 20% of the total number of Shares then in issue. As of the date of this announcement, no Share has been issued under such general mandate. Based on the Conversion Price of HK\$0.74 and assuming full conversion of the Bonds, the Bonds will be convertible into 513,000,000 Shares. Such general mandate is sufficient for the issue and allotment of the Conversion Shares. Accordingly, the issue and allotment of the Conversion Shares is not subject to the approval of the Shareholders.

Conversion Price

The Bonds will be convertible into Shares at the Conversion Price of HK\$0.74 per Share but will be subject to adjustment in the manner provided in the Bond Documents.

The Conversion Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Investors. The Directors consider that the Conversion Price is fair and reasonable based on the current market conditions and is in the interests of the Company and the Shareholders as a whole.

Comparison of Conversion Price

The Conversion Price of HK\$0.74 per Conversion Share represents:

- (a) the closing price of the Shares of HK\$0.74 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 0.82% to the average closing price of the Shares of approximately HK\$0.734 per Share for the last 5 consecutive Trading Days up to and including the Last Trading Day; and
- (c) a premium of approximately 3.50% over the average closing price of the Shares of approximately HK\$0.715 per Share for the last 10 consecutive Trading Days up to and including the Last Trading Day.

Adjustments to the Conversion Price

The Conversion Price of the Bonds shall from time to time be subject to adjustment upon the occurrence of certain events:

- (a) consolidation, subdivision or reclassification of Shares;
- (b) capitalization of profits or reserves;
- (c) capital distribution;
- (d) if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90% of the current market price per Share on the date of the announcement of the terms of the issue or grant;
- (e) if and whenever the Company shall issue any securities (other than Shares or options) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options);
- (f) if and whenever the Company shall issue (otherwise than as mentioned in paragraph (d) above) wholly for cash any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or subscription for, Shares) or issue or grant (otherwise than as mentioned in paragraph (d) above) of options, warrants or other rights to subscribe for or purchase any Shares, in each case at a price per Share which is less than 90% of the current market price on the date of announcement of the terms of such issue;
- (g) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this paragraph (g), if and whenever the Company or any subsidiary shall issue (otherwise than as mentioned in paragraphs (d) to (f) above) or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity shall issue any securities (other than the Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the current market price on the date of announcement of the terms of issue of such securities;

- (h) if and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (g) above so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than 90% of the current market price on the date of announcement of the proposals for such modification;
- (i) if and whenever the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (d) to (g) above); and
- (j) other events or circumstances not mentioned in paragraphs (a) to (i) above which the Company or the Majority Holders may reasonably determine that a consequential adjustment should be made to the Conversion Price.

Conversion Period

Each Holder has the right to convert all or any of its Bonds for Conversion Shares at any time during the period commencing from the Issue Date and expiring on the close of business on the earlier of: (i) the date which falls five Business Days prior to the Maturity Date; or (ii) if the Bonds shall have been called for redemption prior to the Maturity Date, the close of business on the date which falls five Business Days prior to the date fixed for redemption thereof.

Ranking of Conversion Shares

Conversion Shares will rank pari passu in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

Transferability of the Bonds

The Bonds are transferable at any time to any person, provided that the prior approval of the Stock Exchange may be required for any transfer to any transferee which is a connected person (as defined in the Listing Rules) of the Company.

Ranking of the Bonds

The Bonds (when issued) will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank pari passu and rateably without any preference as between themselves, and with all other present and future unconditional and unsubordinated obligations of the Company (other than those preferred by applicable law).

Voting

The Holders will not be entitled to attend or vote at any general meetings of the Company by reason only of being the holders of the Bonds.

Listing

No application will be made for the listing of the Bonds. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE EXERCISE OF THE CONVERSION RIGHTS ATTACHING TO THE BONDS

Based on the Conversion Price of HK\$0.74 and assuming full conversion of the Bonds, the Bonds will be convertible into 513,000,000 Shares (subject to adjustment), representing approximately 19.97% of the existing issued share capital of the Company as at the date of this announcement.

The following table summarizes the effects on the shareholding structure of the Company as a result of the Bonds Issue:

	As at the date of this announcement		Assuming full conversion of the Bonds at the Conversion Price	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholders:				
Tianshan Industry Investment Limited	462,400,740	18.00	462,400,740	15.00
Tibet Water Resources Limited	437,410,960	17.02	437,410,960	14.19
	<u>(Note 1)</u>		<u>(Note 1)</u>	
Sub-total	899,811,700	35.02	899,811,700	29.19
Investors	—	—	513,000,000	16.65
Other Shareholders	1,669,081,300	64.98	1,669,081,300	54.16
	<u>(Note 2)</u>		<u>(Note 2)</u>	
Total	<u>2,568,893,000</u>	<u>100.00</u>	<u>3,081,893,000</u>	<u>100.00</u>

Notes:

- (1) For 200,000,000 Shares out of these 437,410,960 Shares, please refer to the Company's announcement dated 14 November 2019.
- (2) These 1,669,081,300 Shares have not taken into account the 200,000,000 Shares mentioned in Note 1.

REASONS FOR THE BONDS ISSUE AND USE OF NET PROCEEDS

The Company and its subsidiaries are principally engaged in the production and sales of premium bottled mineral water products and beer products in the PRC.

The Company seeks to capitalize on the current market environment for convertible bond issues to raise capital for the repayment of the Group's borrowings. The Directors are of the view that the terms of the Bonds are fair and reasonable and are in the interest of the Group. The estimated gross and net proceeds (after deducting expenses) from the Bonds Issue would be HK\$379,620,000 and approximately HK\$377,620,000, respectively.

The Board has considered other alternative fund-raising methods such as bank loan, rights issue or open offer. The Board considered that bank loan may incur security pledging on the Group's assets and may be subject to lengthy due diligence and negotiations with the banks with reference to the Group's financial position and the then financial market condition and it may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer will involve the issue of prospectus with other application and administrative procedures (such as arrangements for nil-paid rights shares) which may lead to relatively longer time and additional administrative cost to complete as compared to the issue of convertible bonds.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

As the conditions precedent to the completion of the Subscription Agreements may or may not be satisfied, Shareholders and prospective investors are advised to exercise caution when dealing in the Shares.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings when used herein.

“Board”	the board of Directors
“Bond Documents”	the Bond Instrument, the certificates for the Bonds and the terms and conditions attached thereto and other document designated as such by the Company and the Investors
“Bond Instrument”	the bond instrument that creates and constitutes the Bonds
“Bonds”	the 5% convertible bonds in the principal amount of HK\$379,620,000 to be issued under the Subscription Agreements
“Bonds Issue”	the subscription and issue of the Bonds
“Business Day”	a day, other than a Saturday, Sunday or public holiday, on which banks are open for general business in (unless otherwise stated) Hong Kong (other than a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 am and 5:00 pm)
“Change of Control”	in relation to the Company: (a) any person or persons acting together acquires control of the Company; or (b) the Company consolidates with or merges into or sells or transfers all or substantially all of the assets of the Company to any other person or persons, acting together and for this purpose, “control” means (a) the beneficial ownership or control of more than 50% of the voting rights of the issued share capital of the Company; or (b) the right to appoint and/or remove all or the majority of the members of the Board or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise

“Closing Date”	in respect of a Subscription Agreement, a Business Day to be mutually agreed between the Company and the relevant Investor after the condition precedent in respect of the listing approval is satisfied (or, failing such agreement, the Long Stop Date)
“Company”	Tibet Water Resources Ltd. (西藏水資源有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Conversion Price”	HK\$0.74 per Share, subject to adjustment
“Conversion Shares”	the Shares to be allotted and issued by the Company upon conversion of the Bonds
“Director(s)”	director(s) of the Company
“Early Redemption Amount”	100% of the principal amount of the Bonds to be redeemed, together with any accrued but unpaid interest
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Holder(s)”	holder(s) of the Bonds
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investors”	six corporate and individual subscribers of the Bonds and an “Investor” means any of them
“Issue Date”	the date on which the Bonds were first issued pursuant to the Subscription Agreements
“Last Trading Day”	2 February 2021, being the last day on which the Shares were traded on the Stock Exchange pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Long Stop Date”	in respect of a Subscription Agreement, 5 March 2021 (or such later date as the Company and the relevant Investor may agree in writing from time to time)
“Majority Holder(s)”	a Holder or those Holders together holding more than 50% of the aggregate principal amount of the Bonds outstanding
“Maturity Date”	the third anniversary of the Issue Date
“PRC”	People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Securities Act”	the United States Securities Act of 1933, as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	in respect of any Investor, means the subscription of the Bonds in the relevant principal amount by such Investor under the relevant Subscription Agreement
“Subscription Agreements”	the conditional subscription agreements entered into between the Company and the respective Investors on 2 February 2021 and a “Subscription Agreement” means any of them
“Trading Day”	a day on which the Stock Exchange is open for business

By order of the Board
Tibet Water Resources Ltd.
Kevin Cheng WEI

Chairman and Non-executive Director

Hong Kong, 2 February 2021

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