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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)

Discloseable Transactions

Advance of Loans

and

Provision of Guarantees

Advance of Loans and Provision of Guarantees

The Lenders, being wholly-owned subsidiaries of the Company, advanced or renewed certain loans to the Third Party Borrowers and two associated companies of the Company in 2019 and 2020 and provided guarantees for bank loans of an associated company of the Company for an aggregate amount of RMB170 million in 2020. As at 31 December 2020, the total outstanding amount of these loans owing by the Third Party Borrowers and an associated company of the Company were approximately RMB1,229 million and RMB34 million respectively, which were recognized as the other financial assets at amortised cost of the Group.

Implications under Listing Rules

As one or more of the applicable percentage ratios in respect of the advance and (where applicable) renewal of the Loans to each Third Party Borrower and an associated company of the Company, either on a standalone and/or on an aggregate basis, were 5% or more but less than 25%, the advance and/or renewal of the Loans to each Third Party Borrower and this associated company constituted discloseable transactions of the Company and were therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the advance and renewal of the Loans to another associated company of the Company and the provision of each of the guarantees either on a standalone and/or on an aggregate basis, was 5% or more but less than 25%, the advance and renewal of the Loans to this associated company and the provision of the guarantees constituted discloseable transactions of the Company and were therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

However, due to inadvertent oversight, the advance and (where applicable) renewal of the Loans and the provision of the guarantees have not been notified and announced by the Company in a timely manner in accordance with the Listing Rules which constituted a breach of Chapter 14 of the Listing Rules at the material time.

Remedial Actions

To prevent similar non-compliance from occurring, the Company has immediately taken steps to strengthen the internal controls over the procedures for all loan and guarantee transactions under Chapter 14 of the Listing Rules.

Advance of Loans and Provision of Guarantees

The particulars of the discloseable Loans and the guarantees are summarized as follows:

Loans to Borrower A

1. Date of loan agreement: 31 December 2019
2. Principal amount: RMB178,000,000(the aggregate of the principal amount of RMB178,000,000 advanced on 31 December 2019 and the principal amount advanced prior to 31 December 2019 and remaining outstanding as at 31 December 2019 was RMB223,000,000)
3. Interest rate: 10% per annum
4. Term: one year from the date of the loan agreement
5. Security: a pledge of 11.5% of Shannan Yalaxiangbu Company's equity interests and Fudi Packaging's machinery

Such loans have been settled in full in 2020.

Loans to Borrower B

1. Date of loan agreement: 30 March 2020 31 December 2020 31 December 2020
2. Principal amount: RMB142,000,000 RMB70,000,000 RMB142,000,000 (the total principal amount advanced on 30 March 2020 and remaining outstanding as at 31 December 2020 of RMB142,000,000 was renewed)
3. Interest rate: 10% per annum
4. Term: one year from the dates of the respective loan agreements

Loans to Borrower C

1. Date of loan agreement: 30 June 2020 31 December 2020
2. Principal amount: RMB210,905,000 RMB210,905,000 (the total principal amount advanced on 30 June 2020 and remaining outstanding as at 31 December 2020 of RMB210,905,000 was renewed)
3. Interest rate: 10% per annum
4. Term: one year from the dates of the respective loan agreements

Loans to Borrower D

1. Date of loan agreement: 30 June 2020 1 July 2020 31 December 2020
2. Principal amount: RMB140,000,000 RMB66,700,000 RMB206,700,000 (the total principal amount advanced on 30 March and 1 July 2020 and remaining outstanding as at 31 December 2020 of RMB206,700,000 was renewed)
3. Interest rate: 10% per annum
4. Term: one year from the dates of the respective loan agreements

Loans to Borrower E

1. Date of loan agreement: 31 October 2019 31 December 2020
2. Principal amount: RMB41,600,000 (the aggregate amount advanced on 31 October 2019 and the principal amount advanced prior to 31 October 2019 and remaining outstanding as at 31 October 2019 was RMB324,286,016) RMB206,286,240 (the total principal amount of outstanding principal amount of RMB41,600,000 advanced on 31 October 2019 and the principal amount advanced prior to 31 October 2019 and remaining outstanding as at 31 October 2019 was RMB324,286,016) RMB206,286,240 as at 31 December 2020 was renewed)
3. Interest rate: 10% per annum
4. Term: one year from dates of the respective loan agreements
5. Security: a pledge of 26% of Shannan Yalaxiangbu Company's equity interests

The total outstanding principal amount of such loan has been settled in full as at the date of this announcement.

Loans to Borrower F

1. Date of loan agreement: 9 January 2020 12 March 2020 31 December 2020 31 December 2020
2. Principal amount: RMB55,700,000 RMB82,540,000 RMB64,621,132 RMB138,240,000
(The total principal amount advanced on 9 January and 12 March 2020 and remaining outstanding as at 31 December 2020 of RMB138,240,000 was renewed)
3. Interest rate: 10% per annum
4. Term: one year from the dates of the respective loan agreements

Approximately RMB69,000,000 of the principal amount of such loan is expected to be settled in full prior to 30 June 2021.

Loans to Borrower G

1. Date of loan agreement: 2 January 2020 31 December 2020 31 December 2020
2. Principal amount: RMB126,004,665 RMB63,848,982 RMB126,004,665 (the total principal amount advanced on 2 January 2020 and remaining outstanding as at 31 December 2020 of RMB126,004,665 was renewed)
3. Interest rate: 10% per annum
4. Term: one year from the dates of the respective loan agreements

The total outstanding principal amount of such loan is expected to be settled in full prior to 30 June 2021.

Loans and guarantees to an associated company

1. Date of loan agreement: 6 May, 26 May and 22 June 2020 31 December 2020 31 December 2020
2. Principal amount: RMB60,710,000 RMB20,735,000 RMB13,710,000 (the remaining balance of the loans advanced during the period between 6 May to 22 June 2020 which remained outstanding as at 31 December 2020 in the total amount of RMB13,710,000 was renewed)
3. Borrower: Fudi Packaging
4. Interest rate: 10% per annum
5. Term: one year from the dates of the respective loan agreements

The particulars of the guarantees are summarized as follows:

1. Date:	25 March 2020	12 June 2020
2. Guarantor:		Tibet Glacier Water
3. Borrower:		Fudi Packaging
4. Lending bank:	China Everbright Bank	China Construction Bank
	Lhasa branch	Tibet branch
5. Guaranteed amount:	RMB50,000,000	RMB120,000,000

The guarantees provided by Tibet Glacier Water were guarantees with joint and several liabilities and the scope of guarantee included the principal (principal amount of the bank loan of RMB50,000,000 and RMB120,000,000 respectively) and interest, compound interest, penalty interest, liquidated damages, other damages and fees and expenses for recovery of indebtedness (including, without limitation, collection fees, litigation costs or arbitration costs, security fees, announcement fees, execution fees, legal fees, travel expenses and other related expenses) under the relevant loan agreements.

Loan to an associated company

1. Date of loan agreement:	31 December 2019
2. Principal amount:	RMB189,800,000
3. Borrower:	Highland Natural Water
4. Interest rate:	10% per annum
5. Term:	one year from the date of the loan agreement

Such loan has been settled in full in 2020.

The key information of all of the above loans and the guarantees have been principally disclosed in the Company's interim report for the six months ended 30 June 2020 and annual reports for the year ended 31 December 2020 and 31 December 2019.

Save for the respective loans to Borrower A and Borrower E, the other loans disclosed above did not have any pledges or securities as at 31 December 2020.

As disclosed in the Company's announcement dated 31 March 2021 on its final results for the year ended 31 December 2020, the interest on the Loans for 2020 has been subsequently waived by the Lenders as a result of the pandemic impact.

As at 31 December 2020, an allowance for expected credit loss of approximately RMB4 million has been recognised in respect of the Loans, and no provision has been recognised for the guarantees.

Credit Risk Assessment Procedures

The Group had conducted credit risk assessment before advancing the Loans and providing the guarantees by:

- (i) examining the background of the Borrowers, including but not limited to their business development, financial strength and repayment ability (including repayment record in which there were no incidents of default);
- (ii) requiring the Borrowers to provide guarantee and/or security based on the circumstances of the Borrowers and other individual circumstances relevant to the Loans;
- (iii) conducting litigation and bankruptcy searches against the Borrowers, in which no material irregularities had been found;
- (iv) maintaining regular contact with the Borrowers and paying regular attention to their latest business development and the developments of different sectors of the relevant industries, in which no material irregularities had been found; and
- (v) considering the relatively short-term nature of the Loans.

After considering the factors above in assessing the credit risks involved in the advance of the Loans and the provision of the guarantees, the Board considered that such credit risks were manageable to the Group.

Funding of the Loans

The Group financed the Loans with its internal resources.

Information of the Borrowers

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Third Party Borrowers and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Highland Natural Water is an associated company of the Company and is owned as to 43.981% by the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the other ultimate beneficial owners of Highland Natural Water are third parties independent of the Company and its connected persons. The principal business activities of Highland Natural Water are the manufacturing and distribution of water products.

Fudi Packaging is an associated company of the Company and is owned as to 25% by the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the other ultimate beneficial owners of Fudi Packaging are third parties independent of the Company and its connected persons. The principal business activities of Fudi Packaging are the manufacturing and sale of bottle preforms and caps and it is the only bottle preforms and caps supplier in Tibet which is critical to the Group's water business.

The principal business activities of Borrower A are the investment in and operation of projects relating to natural water beverages, preforms and bottle caps, plastic films and cartons.

The principal business activities of Borrower B are the wholesale of pre-packaged food products and the development and sale of packaged drinking water products.

The principal business activities of Borrower C are the promotion of new beverage products and technology development for drinking water products (including but not limited to flavoured/energy drinks and soda water).

The principal business activities of Borrower D are the wholesale of packaged drinking water products. It is also involved in the promotion and development of infant/baby food and beverage products.

The principal business activities of Borrower E are the management of corporate investments projects, as well as investment in the drinking water industry and business operation management.

The principal business activities of Borrower F are the development of and investment in a variety of beverage businesses (including but not limited to beer, wine, water, coffee and tea).

The principal business activities of Borrower G are the development and promotion of packaged drinking water products and the development and management of water and beverage industrial projects.

Reasons for and Benefits of the Advance of Loans and Provision of Guarantees

The Group is engaged mainly in production and sales of water products and beer products in the PRC.

Since listing and as disclosed in various previous publications, including but not limited to the prospectus, interim and annual reports and various announcements, the Group is one of the market leading water brands in the PRC based in Tibet. The Group's long-term strategy is to promote the development and consolidations of water resources industry and beer industry segments by leveraging the strong support

and guidance by the Tibet government and related Tibet regional industrial associations. The Company works together with various partners to facilitate the strategic layout of key resources in the entire ecosystem which is critical for the Group to become these industries' leader.

In light of the Group's long term strategy above and relevant needs, for the further development within the entire ecosystem of Tibet's water and beer industry, as well as earning accretive interests income, the Group has provided loans to certain associated companies of the Company and other business entities in the water and beer related industry in Tibet and any other businesses which are complementary to the Group's existing business strategies. By actively participating in various industrial associations and providing industrial, business, technical and/or financial supports as needed, the Group maintains a close relationship with those borrowing entities and can be kept abreast of the business development of those entities and the changes in the different segments of the industry. The Group will also be placed in an advantageous position should the Group consider it appropriate to explore further strategic cooperation or investment opportunities in respect of those entities in future. The Loans and the guarantees have been provided by the Group pursuant to such strategy.

In view of the above, the Directors are of the view that the advance of the Loans and the provision of the guarantees were entered into on normal commercial terms after arm's length negotiation and the terms thereof are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Implications under Listing Rules

As one or more of the applicable percentage ratios in respect of the advance and (where applicable) renewal of the Loans to each Third Party Borrower and an associated company (Highland Natural Water), either on a standalone and/or on an aggregate basis, were 5% or more but less than 25%, the advance and/or renewal of the Loans to each Third Party Borrower and this associated company as disclosed above constituted discloseable transactions of the Company and were therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the advance and renewal of the Loans to an associated company (Fudi Packaging) and the provision of each of the guarantees either on a standalone and/or on an aggregate basis, was 5% or more but less than 25%, the advance and renewal of the Loans to this associated company and the provision of the guarantees constituted discloseable transactions of the Company and were therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

However, due to inadvertent oversight, the advance and (where applicable) renewal of the Loans and the provision of the guarantees have not been notified and announced by the Company in a timely manner in accordance with the Listing Rules which constituted a breach of Chapter 14 of the Listing Rules at the material time. The Directors have been informed by the responsible officer that only the assets ratio and the revenue ratio were checked at the relevant time as customarily the consideration ratio was not the largest percentage ratio for loan transactions of the Group prior to the unexpected substantial drop in trading price of the Shares due to unusual market activities in November 2019. The Company has been a sizeable company with substantial total assets of approximately RMB4,912 million, RMB4,262 million and RMB4,151 million as at 31 December 2018, 2019 and 2020, respectively. However, as a result of such unusual substantial drop in trading price, the market capitalisation of the Company had dropped from approximately RMB5,024 million as at 31 December 2018 to RMB1,250 million and RMB1,580 million as at 31 December 2019 and 2020 respectively, which do not necessarily represent the true size of the Company's operations and real intrinsic or enterprise value of the Company. The officer had inadvertently failed to check the consideration ratio and the profits ratio when the Group advanced or renewed the Loans with an incorrect understanding that assets ratio and revenue ratio tests would have satisfied the relevant rules under Chapter 14.

Remedial Actions

To prevent similar non-compliance from occurring, the Company has immediately taken the following steps to strengthen the internal controls over the procedures for all loan and guarantee transactions under Chapter 14 of the Listing Rules:-

- (a) the Company will require its external legal counsel to review all future sizeable loan and guarantee transactions to ensure timely compliance with the disclosure requirements under the relevant Listing Rules including Chapter 14 of the Listing Rules;
- (b) the Company will also provide further guidance and professional training to the management staff and all Directors on the requirements under Chapter 14 of the Listing Rules and the calculation of the percentage ratios to make sure that all the relevant management staff and Directors have a thorough understanding of such requirements when reviewing all loan and guarantee transactions in future; and
- (c) the Chief Financial Officer of the Company and a Director will counter-check all future loan and guarantee transactions of the Group before entering into the same to ensure compliance of Chapter 14 of the Listing Rules.

Definitions

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors;
“Borrower A”	Tibet Fudi Natural Beverage Industry Development Co., Ltd.* (西藏福地天然飲品產業發展有限責任公司), a company established in the PRC which is ultimately beneficially owned by Wang Chun (王純), who is a businessperson;
“Borrower B”	Tibet Ruiyufeng Enterprise Marketing & Planning Co., Ltd.* (西藏睿譽豐企業策劃營銷有限公司), a company established in the PRC which is ultimately beneficially owned by Wang Bin (王斌), who is a businessperson;
“Borrower C”	Tibet Zangdi Glacier Mineral Water Co., Ltd.* (西藏藏地冰川礦泉水有限公司), a company established in the PRC which is ultimately beneficially owned by Tian Jing (田靜), who is a businessperson;
“Borrower D”	Tibet Gaodefeng Beverage Development Co., Ltd.* (西藏高得分飲品發展有限公司), a company established in the PRC which is ultimately beneficially owned by Xu Weimin (徐為民), who is a businessperson;
“Borrower E”	Tibet Fudi Natural Beverage Ltd.* (西藏福地天然飲品有限責任公司), a company established in the PRC which is ultimately beneficially owned by Zhang Zuojiang (張作江), who is a businessperson;
“Borrower F”	Tibet Highland Barley Beer Co., Ltd.* (西藏青稞啤酒有限公司), a company established in the PRC which is ultimately beneficially owned by Wang Xianwu (王先伍), who is businessperson;
“Borrower G”	Tibet Ruishanghui Industrial Co., Ltd.* (西藏瑞尚匯實業有限責任公司), a company established in the PRC which is ultimately beneficially owned by Zhang Kai (張凱), who is a businessperson;

“Borrowers”	means the Third Party Borrowers, Highland Natural Water and Fudi Packaging;
“Company”	Tibet Water Resources Ltd., a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fudi Packaging”	Tibet Fudi Natural Beverage Packaging Ltd.* (西藏福地天然飲品包裝有限責任公司), a company established in the PRC and an associated company of the Company which is ultimately beneficially owned as to 65% by the Borrower A and 25% by Tibet Glacier Water;
“Group”	the Company and its subsidiaries;
“Highland Natural Water”	Tibet Highland Natural Water Limited* (西藏高原天然水有限公司), a company established in the PRC and an associated company of the Company which is ultimately beneficially owned as to 51% by China Petroleum & Chemical Corporation* (中國石油化工股份有限公司), a company incorporated in the PRC whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively, and 43.981% by Tibet Glacier Water;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Lenders”	the respective lenders of the Loans, which are wholly owned subsidiaries of the Company;
“Loans”	the loans provided by the Lenders to the respective Borrowers as disclosed in this announcement;
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shannan Yalaxiangbu Company”	Tibet Shannan Yalaxiangbu Industrial Ltd.* (西藏山南雅拉香布實業有限公司), an other limited liability company incorporated in the PRC on 18 October 2002 held as to 51%, 40% and 9% by PetroChina Company Limited* (中國石油天然氣股份有限公司), a company incorporated in the PRC whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively, Tibet Glacier Water and Borrower E respectively as at the date of this announcement;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Third Party Borrowers”	means Borrower A, Borrower B, Borrower C, Borrower D, Borrower E, Borrower F and Borrower G and a “Third Party Borrower” means any of them;
“Tibet Glacier Water”	Tibet Glacier Mineral Water Co., Ltd.* (西藏冰川礦泉水有限公司), an indirect wholly-owned subsidiary of the Company;
“Tibet”	Tibet Autonomous Region of the PRC;
“%”	per cent; and
“*”	for identification purpose only.

By order of the Board of
Tibet Water Resources Ltd.
CHOW Wai Kit
Company Secretary

Hong Kong, 7 May 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.