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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 TRANSACTION

In recent years, the Group has been striving to establish new sales channels and expand our market outside the Tibet Autonomous Region for our high quality beer products. Through negotiation, the Group now plans to introduce a strategic partner as the new marketing and promotion team for the Group's beer business. The addition of the partner will facilitate the expansion of the sales market for our beer products, increase the market share of our beer brands and enhance the Group's overall competitiveness. The partner will strengthen the sales and profit growth base of the beer business. Based on this, the Group has agreed to sell 9.9% equity interest in Tiandi Green to the partner; if the partner fails to achieve the relevant profit growth targets for the Company's beer business, the Group has the right to repurchase the said equity interest at the same price.

On 18 January 2022 (after trading hours), Party A, a wholly-owned subsidiary of the Company, entered into the Agreement with Party B, under which Party A has agreed to sell and Party B has agreed to purchase 9.9% equity interest in Tiandi Green (represented by 9.9% of the registered capital) at a cash consideration of HK\$58,000,000.

Implications under the Listing Rules

As the highest applicable percentage ratio in respect of the Transaction is 5% or more but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

The beer products of the Group are mainly sold through supermarkets, convenience stores, restaurants and entertainment outlets in Tibet. To facilitate the development and growth of the Group's beer business not only in Tibet but also in other regions in the PRC, the Group has been actively exploring cooperation opportunities with potential strategic business partners to establish new sales channels and expand the markets outside Tibet for its high quality beer products.

Party B is beneficially owned by Ms. Chan, Allie, who has extensive experience in investments in entities engaging in various industries and has established connections within the PRC which may facilitate the development of the Group's beer business. The Group expects that Party B will be able to help procure more sales to beer business through its connections.

In light of the aforesaid, it is expected that the cooperation with Party B will facilitate the expansion of sales markets of the Group's beer products, increase the market share of the beer brands and enhance the overall competitiveness of the Group. The Group has therefore invited Party B to be a strategic partner of the Group's beer business with Party B acquiring 9.9% equity interest in Tiandi Green. Party A will also have the right to purchase back such equity interest at the same price in case of non-fulfillment of certain performance targets after completion of the Transaction as detailed below.

On 18 January 2022 (after trading hours), Party A entered into the Agreement with Party B.

THE AGREEMENT

Date: 18 January 2022

Parties: (i) Party A (an indirect wholly-owned subsidiary of the Company); and
(ii) Party B

Subject Matter

Subject to the terms of the Agreement, Party A shall sell as beneficial owner and Party B shall purchase the Sale Equity Interest free from all encumbrances at Completion (as defined below) and with all rights attached thereto as from Completion including all rights on dividends and other distributions (but only to the extent with respect to net income to be accumulated after Completion) declared, made or paid after Completion. Party B will not be entitled to dividends or distributions to be declared, made or paid with respect to net income of Tiandi Green accumulated before Completion (the “**Excluded Dividends**”) and the Excluded Dividends shall belong to Party A exclusively.

Consideration

Party B shall pay the total cash consideration of HK\$58,000,000 (the “**Consideration**”) to Party A on Completion.

The Consideration was determined after arm’s length negotiations between Party A and Party B with reference to various factors including but not limited to the following:

- (a) the strategic value in having Party B as a partner in the beer business;
- (b) the business opportunities that Party B may bring to the beer business, and as such potentially bringing future collaboration and synergy between the water and beer businesses of the Group;
- (c) the financial parameters of Tiandi Green (including but not limited to the total assets, liabilities and profits);
- (d) the protection to the Group of having the Call Option (as defined and more particularly described in the section headed “Party A’s Call Option” below) exercisable by Party A under the Agreement, pursuant to which Party A may purchase the Sale Equity Interest back from Party B after completion of the Transaction at an amount equal to the Consideration in the event that Company’s beer business does not meet certain performance targets which are expected to be achieved with the introduction of Party B as a strategic partner; and
- (e) the reasons for and benefits of the Transaction as set out under the section headed “REASONS FOR AND BENEFITS OF THE TRANSACTION” below.

Completion

Party B has paid Party A the Consideration in full on completion (“**Completion**”).

As soon as practicable after Completion, Party A and Party B shall (a) cooperate to do or procure to be done all things necessary to (i) obtain all authorisations, approvals and consents and (where applicable) complete all record-filings required for the transfer of the Sale Equity Interest from Party A to Party B and (ii) complete all legal procedures required to complete such transfer, including the relevant industrial and commercial change registration as soon as practicable and (b) execute or procure to be executed such documents necessary to complete such transfer.

If Party A fails to deliver to Party B the necessary documents for the registration of the transfer of the Sale Equity Interest within two weeks after Completion, Party B has the right to demand for return of the Consideration in full with interest chargeable at 0.05% per day.

In the event that any authorisation, approval or consent or record-filing required for the transfer of the Sale Equity Interest cannot be obtained or completed for whatever reasons (other than by reason of the default of either Party A or Party B) on or before 30 June 2022 or such other date as Party A and Party B may agree in writing:

- (a) Party A shall refund Party B the Consideration as soon as reasonably practicable within 3 days after being notified (with satisfactory documentary evidence provided by Party B) of the refusal of the relevant authority in the PRC to register the transfer of the Sale Equity Interest from Party A to Party B without interests for the first 7 days and thereafter interest shall be payable by Party A at 0.05% per day;
- (b) Party A and Party B shall take such steps and execute such documents as may be necessary to cancel the documents executed for completing the transfer of the Sale Equity Interest from Party A to Party B without any liability on the part of Party A or Party B; and
- (c) the Agreement and everything therein contained shall, subject to the obligations in sub-paragraphs (a) and (b) above and the liability of either Party A or Party B to the other in respect of any antecedent breaches of the Agreement, be null and void and of no effect.

If after the Completion, it occurs to Party B that there is any material breach of certain warranties under the Agreement which will materially and adversely affect the willingness of a reasonable buyer to complete the purchase of the Sale Equity Interest, Party B has the right within one year after Completion to require Party A to repurchase the Sale Equity Interest at the Consideration (the “**Sell-Back Right**”). Upon exercise of the Sell-Back Right by Party B, Party A shall also be liable to pay Party B HK\$10,000,000 as liquidated damages.

Party A has further undertaken to Party B that Party A shall fully indemnify Tiandi Green for any claim made against Tiandi Green under certain guarantees granted by Tiandi Green prior to Completion.

Party A's Call Option

Subject to and in consideration of Party A completing the Transaction, if any of the following events occurs:

- (a) the net profit (after tax) of Tiandi Green for the financial year ending 31 December 2022 as shown in the audited accounts of Tiandi Green for that financial year is less than 110% of the net profit (after tax) of Tiandi Green for the financial year ended 31 December 2021; or
- (b) the net profit of Tiandi Green attributable to its sales outside Tibet in the PRC through sales channels which are mutually recognized by Party A and Party B to have been introduced or established by Party B after Completion (the “**Outside Tibet Profit**”) for the financial year ending 31 December 2022 is less than 10% of the net profit of Tiandi Green for the financial year ended 31 December 2021,

Party A shall have the right to require Party B to sell all (but not part) of the Sale Equity Interest to Party A at an amount equal to the Consideration subject to the terms of the Agreement (the “**Call Option**”).

The Call Option shall be exercisable by Party A at any time within 3 months after the issue of the audited accounts of Tiandi Green for the financial year ended 31 December 2022 by serving on Party B a written notice specifying a proposed time and date for completion of the sale and purchase of the Sale Equity Interest (“**Call Option Completion**”).

Upon the exercise of the Call Option, Party B shall obtain all authorisations, approvals and consents (if required and not already obtained) and (where applicable) complete all necessary record-filings required for the transfer of the Sale Equity Interest from Party B to Party A before Call Option Completion.

Party B shall indemnify and hold Party A harmless in respect of any loss, damage and liability which Party A may suffer as a result of or in connection with (a) any authorisations, approvals or consents or record-filings required for the transfer of the Sale Equity Interest from Party B to Party A not being obtained or completed or (b) any other breach of the provisions of the Agreement relating to the Call Option.

Party B has undertaken with Party A that at any time after Completion until the expiry of the Call Option, Party B will not dispose of or otherwise create or permit to arise any encumbrance on or in respect of any Sale Equity Interest or agree to do any of the foregoing.

INFORMATION OF PARTY A

Party A is a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company which is engaged in investment holding.

INFORMATION OF PARTY B

Party B is a company incorporated in the British Virgin Islands which is ultimately beneficially owned by Ms. Chan, Allie, who is a businessperson. The principal activity of Party B is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Party B and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

INFORMATION OF TIANDI GREEN

Tiandi Green is a limited liability company incorporated in the PRC and was an indirect wholly-owned subsidiary of the Company prior to completion of the Transaction. As at the date of this announcement, Tiandi Green has a total registered capital of USD32,180,000. Immediately prior to completion of the Transaction, Party A held 65% of the equity interest in Tiandi Green (represented by 65% of the registered capital) and the remaining 35% of the equity interest in Tiandi Green (represented by 35% of registered capital) was held by Tibet Glacier Water, an indirect wholly-owned subsidiary of the Company.

The principal activities of Tiandi Green are the manufacturing and sales of beer.

The following table summarizes the registered capital structures of Tiandi Green immediately before and upon completion of the Transaction respectively:

	Immediately before completion of the Transaction Registered Capital (%)	Upon completion of the Transaction Registered Capital (%)
Party A	65	55.1
Tibet Glacier Water	35	35.0
Party B	—	9.9
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Total:	<u>100</u>	<u>100</u>

A summary of the unaudited financial information of Tiandi Green for the two financial years ended 31 December 2019 and 2020 is set out below:

	For the year ended 31 December 2019 (unaudited) RMB'000	For the year ended 31 December 2020 (unaudited) RMB'000
Revenue	311,855	311,503
Profit before taxation	155,785	102,348
Profit after taxation	143,671	93,316

As at 31 December 2020, the unaudited net assets of Tiandi Green were approximately RMB1,135 million which included accumulated retained earnings of approximately RMB835 million.

FINANCIAL EFFECTS OF THE TRANSACTION

Following the completion of the Transaction, the equity interest of Party A in Tiandi Green will decrease from 65% to 55.1%. Tiandi Green will continue to be a subsidiary of the Company and its financial results will continue to be consolidated with the results of the Group. The Transaction is accounted for as equity transaction and it is expected that no gain or loss will be recognised in the consolidated statements of profit or loss of the Group as a result of the Transaction.

USE OF PROCEEDS

The net proceeds of the Transaction are estimated to be approximately HK\$57 million, which are intended to be applied for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTION

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

The Group's beer business recorded modest growth in the first half of 2021 due to the ongoing impact of the pandemic, and the Company's beer brands and products have significant potential both in Tibet and in other regions in the PRC. It is the strategy of the Company to strive to facilitate the long-term brand development and business growth of its beer business through the cooperation with strategic partners and the expansion of product markets and high quality sales channels outside Tibet.

In view of Party B's extensive experience in investments in various industries and business connections, it is expected that the introduction of Party B as a strategic partner through the Transaction would promote the future development of the Company, facilitate the expansion of sales market regions of the Company's products, enable the Company to establish a presence in new sales channels to reach more end consumers, enhance the market influence and market share of the Company's beer brands and strengthen the sales and marketing teams, brand operation and quality control of the Company, and thereby enhancing the competitiveness and influence of the Company.

In view of the above and the bases upon which the Consideration was determined set out in the section headed "Consideration" above, the board of Directors is of the view that the Transaction is on normal commercial terms arrived at after arm's length negotiation and the terms thereof (including but not limited to the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Transaction is 5% or more but less than 25%, the Transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement entered into between Party A and Party B dated 18 January 2022 in respect of the Transaction;
“Board”	the board of Directors;
“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 Main Board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Party A”	Wealth Keeper Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Party B”	Billion Apex Group Limited, a company incorporated in the British Virgin Islands;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Equity Interest”	9.9% equity interest in Tiandi Green (represented by 9.9% of the registered capital);
“Shareholders”	the shareholders of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tiandi Green”	Tibet Tiandi Green Beverage Development Co., Ltd.* (西藏天地綠色飲品發展有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company prior to completion of the Transaction;
“Tibet”	Tibet Autonomous Region of the PRC;
“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;
“Transaction”	the sale of the Sale Equity Interest to Party B by Party A pursuant to the Agreement;
“USD”	means United States Dollars, the lawful currency of the United States of America;
“%”	per cent; and
“*”	for identification purpose only.

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

Hong Kong, 18 January 2022

As of the date of this announcement, the executive Directors are Mr. YAN Qingjiang and Mr. CHOW Wai Kit, the non-executive Directors are Ms. JIANG Xiaohong and Mr. XIE Kun and the independent non-executive Directors are Mr. TANG Zeping, Mr. DAI Yang and Mr. LO Wai Hung.