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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 FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Change %
	2021	2020	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
Revenue	456,128	492,879	↓ 7.5%
Operating profit	37,366	80,937	↓ 53.8%
Adjusted EBITDA*	109,330	161,620	↓ 32.3%
Profit for the year attributable to owners of the Company	46,954	16,973	↑ 176.6%
Earnings per share			
- Basic and diluted (RMB cents)	1.87	0.68	↑ 175.0%
Gross profit margin	41.9%	43.6%	↓ 1.7% point
		As at 31 December	
		2021	2020
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets		4,148,946	4,151,511
Equity attributable to owners of the Company		2,831,432	2,722,108

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

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tibet Water Resources Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with comparative figures prepared under IFRSs.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	5	456,128	492,879
Cost of sales		<u>(265,175)</u>	<u>(277,743)</u>
Gross profit		190,953	215,136
Selling and distribution costs		(53,476)	(104,842)
Administrative expenses		(72,366)	(67,776)
(Allowance for)/reversal of allowance for expected credit loss (“ ECL ”) on financial assets		(54,236)	16,012
Other gains, net	6	<u>26,491</u>	<u>22,407</u>
Operating profit		37,366	80,937
Finance income/(cost), net	7	20,499	(44,117)
Share of result on investments accounted for using the equity method	12	<u>8</u>	<u>(2,097)</u>
Profit before income tax		57,873	34,723
Income tax expense	8	<u>(10,919)</u>	<u>(17,805)</u>
Profit for the year	9	<u>46,954</u>	<u>16,918</u>
Profit/(loss) for the year attributable to:			
– Owners of the Company		46,954	16,973
– Non-controlling interests		<u>—</u>	<u>(55)</u>
		<u>46,954</u>	<u>16,918</u>
Earnings per share attributable to owners of the Company			
– basic and diluted (RMB cents)	10	<u>1.87</u>	<u>0.68</u>

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	9	<u>46,954</u>	<u>16,918</u>
Other comprehensive income (loss):			
<i>Item that will not be reclassified</i>			
<i>subsequently to profit or loss:</i>			
Exchange differences on translation			
from functional currency to presentation currency		9,211	14,191
Fair value change on financial assets at			
fair value through other comprehensive			
income (“FVTOCI”)		<u>16,216</u>	<u>(10,999)</u>
Other comprehensive income for the year, net of tax		<u>25,427</u>	<u>3,192</u>
Total comprehensive income for the year		<u>72,381</u>	<u>20,110</u>
Total comprehensive income attributable to:			
– Owners of the Company		72,381	20,165
– Non-controlling interests		<u>—</u>	<u>(55)</u>
Total comprehensive income for the year		<u>72,381</u>	<u>20,110</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Right-of-use assets		27,077	27,942
Property, plant and equipment (“PP&E”)		422,544	469,984
Investment properties		—	4,445
Intangible assets		31,120	44,285
Goodwill		721,139	721,139
Investments accounted for using the equity method	12	1,416,403	650,697
Deferred tax assets		5,000	4,277
Prepayments		8,130	6,067
Financial assets at fair value through other comprehensive income (“FVTOCI”)		—	174,482
Financial assets at fair value through profit or loss (“FVTPL”)		—	11,517
Total non-current assets		<u>2,631,413</u>	<u>2,114,835</u>
Current assets			
Inventories		90,591	60,266
Trade receivables	13	254,657	283,274
Prepayments		129,580	79,678
Tax recoverable		—	627
Other financial assets at amortised cost		986,887	1,367,268
Financial assets at FVTPL		2,000	180,811
Cash and cash equivalents		53,818	64,752
Total current assets		<u>1,517,533</u>	<u>2,036,676</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current liabilities			
Trade and notes payables	14	277,923	324,150
Deferred revenue		2,374	2,374
Contract liabilities		54,955	16,854
Tax payable		32,382	28,588
Accruals and other payables		150,889	407,777
Bank borrowings		410,000	500,000
Lease liabilities		—	147
Total current liabilities		928,523	1,279,890
Net current assets		589,010	756,786
Total assets less current liabilities		3,220,423	2,871,621
Non-current liabilities			
Bank borrowings		75,000	110,000
Other payables		16,000	16,000
Deferred revenue		13,768	16,142
Deferred tax liabilities		8,539	7,371
Convertible bonds – liability component	15	275,684	—
Total non-current liabilities		388,991	149,513
Net assets		2,831,432	2,722,108
Capital and reserves			
Share capital	16	21,618	21,363
Reserves		2,809,814	2,700,745
Total equity attributable to owners of the Company		2,831,432	2,722,108

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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") and provision of lending services to third parties in the Hong Kong Special Administrative Region of the PRC ("Hong Kong") 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 consolidated financial statements are presented in Reminbi ("RMB"), which is different from the Company's functional currency Hong Kong Dollar ("HKD"). The Directors adopted RMB as presentation currency as the operational entities are located in the PRC.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standard Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ³
Amendment to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 16	Covid-19-Related Rent, Concession beyond 30 June 2021 ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the financial assets at FVTPL and the financial assets at FVTOCI, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share based payment transactions that are within the scope of IFRSs 2 Share-based Payment, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports regularly reviewed by the executive Directors, being the chief operating decision maker (“CODM”), that are used to make strategic decisions.

(a) Description of segments and principal activities

(i) *Water business segment*

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

(ii) *Beer business segment*

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

(b) Segment information disclosures

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

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

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2021 is as follows:

	Water business segment	Beer business segment	Corporate and others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total segment revenue	147,571	308,557	—	—	456,128
Cost of sales	(86,280)	(178,895)	—	—	(265,175)
Gross profit	61,291	129,662	—	—	190,953
Share of result on investments accounted for using the equity method	473	—	(465)	—	8
(Allowance for)/reversal of allowance for ECL on financial assets	(44,454)	(9,790)	8	—	(54,236)
Adjusted EBITDA*	(12,883)	142,420	(20,207)	—	109,330
Finance income	33,662	22,396	96	—	56,154
Finance costs	(409)	(13,661)	(21,585)	—	(35,655)
Depreciation and amortisation	(26,483)	(45,310)	(163)	—	(71,956)
Profit/(loss) before tax	(6,113)	105,845	(41,859)	—	57,873
Income tax (expense)/credit	(1,497)	(10,241)	819	—	(10,919)
Profit/(loss) for the year	(7,610)	95,604	(41,040)	—	46,954

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

	Water business segment	Beer business segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	4,260,928	2,415,426	6,676,354
– Investments accounted for using the equity method	1,416,403	—	1,416,403
Unallocated			
Financial assets at FVTPL			2,000
Financial assets at FVTOCI			—
Deferred tax assets			5,000
Assets of corporate and others			6,446
Inter-segment elimination			(2,540,854)
Total assets			<u><u>4,148,946</u></u>
Segment total liabilities	1,593,782	399,806	1,993,588
Unallocated			
Deferred tax liabilities			8,539
Liabilities of corporate and others			305,827
Inter-segment elimination			(990,440)
Total liabilities			<u><u>1,317,514</u></u>

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2020 is as follows:

	Water business segment	Beer business segment	Corporate and others	Inter- segment elimination	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total segment revenue	180,065	311,503	1,311	—	492,879
Cost of sales	(94,878)	(182,865)	—	—	(277,743)
Gross profit	85,187	128,638	1,311	—	215,136
Share of result on investments accounted for using the equity method	(247)	—	(1,850)	—	(2,097)
Reversal of allowance for/(allowance for) ECL on financial assets	16,876	(845)	(19)	—	16,012
Adjusted EBITDA*	40,115	143,542	(22,037)	—	161,620
Finance income	1,261	—	—	—	1,261
Finance costs	(12,508)	(10,659)	(22,211)	—	(45,378)
Depreciation and amortisation	(28,206)	(54,300)	(274)	—	(82,780)
Profit/(loss) before tax	662	78,583	(44,522)	—	34,723
Income tax (expense)/credit	(10,975)	(6,894)	64	—	(17,805)
Profit/(loss) for the year	(10,313)	71,689	(44,458)	—	16,918

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

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

4. SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

	Water business segment	Beer business segment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	3,519,945	2,415,281	5,935,226
– Investments accounted for using the equity method	650,697	—	650,697
Unallocated			
Financial assets at FVTPL			192,328
Financial assets at FVTOCI			174,482
Deferred tax assets			4,277
Assets of corporate and others			16,816
Inter-segment elimination			<u>(2,171,618)</u>
Total assets			<u><u>4,151,511</u></u>
Segment total liabilities	1,232,434	495,614	1,728,048
Unallocated			
Deferred tax liabilities			7,371
Liabilities of corporate and others			329,037
Inter-segment elimination			<u>(635,053)</u>
Total liabilities			<u><u>1,429,403</u></u>

Entity-Wide information

Breakdown of total revenue by category is shown in Note 5.

Revenue from external customers of the Group were all derived in the PRC for the years ended 31 December 2021 and 2020.

Non-current assets other than financial instruments and deferred tax assets are all located in the PRC as at 31 December 2021 and 2020.

4. SEGMENT INFORMATION (CONTINUED)

(c) Information about major customers

Revenue from customers over 10% of the Group's total revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Customer A	143,117	142,276
Customer B	71,097	—*
Customer C	—*	83,611
	<u> </u>	<u> </u>

During the year ended 31 December 2021, sales of approximately RMB41,012,000 (2020: RMB17,819,000) are derived from associates in the water segment.

* The corresponding revenue did not contribute over 10% of the revenue of the Group for the respective year.

5. REVENUE

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers:		
<i>Recognised at a point in time</i>		
Sales of water products	140,821	172,666
Sales of beer products	307,949	310,206
Sales of raw materials and consumables	609	1,248
	<u> </u>	<u> </u>
	449,379	484,120
Revenue from other source:		
Rental income	6,749	7,448
Interest income from lending services provided	—	1,311
	<u> </u>	<u> </u>
	6,749	8,759
Total	<u> </u>	<u> </u>
	456,128	492,879

6. OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other gains/(losses)		
Government grants		
– Tax refund (note (a))	3,357	1,800
– Amortisation of deferred income	2,374	2,374
– Other government grant (note (b))	21,592	4,798
Gain on disposal of financial assets at FVTPL (note (c))	9,189	12,482
Fair value changes on financial assets at FVTPL (note (d))	(9,517)	811
Write-down of inventories	(612)	(94)
Others	108	236
	26,491	22,407

notes:

- (a) The Group is eligible to receive subsidy income from the local government in relation to the domestic subsidiaries' fiscal contribution to the local economic development as a major tax payer and employer in Tibet. Accordingly, tax refund amounting to RMB3,357,000 was recognised for the year ended 31 December 2021(2020: RMB1,800,000).
- (b) Other government grant represents various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to enterprises on a discretionary basis. There are no unfulfilled conditions or contingencies relating to these grants.
- (c) 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 year, the Group disposed of these investments amounting to approximately RMB180,811,000 (2020: RMB180,630,000), which resulted in a gain amounting to approximately RMB9,189,000 (2020: RMB11,866,000).
- (d) As at 31 December 2021, the Group held unlisted equity investment amounting to approximately RMB2,000,000 (2020: RMB11,517,000), which were measured financial assets at FVTPL. The unrealised fair value losses of RMB9,517,000 (2020: Nil) were recognised for the year.

7. FINANCE INCOME/(COST), NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange loss net	(1,066)	(256)
Interest costs on bank borrowings	(13,661)	(26,454)
Interest costs on convertible bonds (Note 15)	(16,591)	—
Interest costs on borrowings from third parties	(4,270)	(21,924)
Interest costs on lease liabilities	(3)	(8)
Other finance costs	(64)	(86)
	<u>(35,655)</u>	<u>(48,728)</u>
Amount capitalised (note)	—	3,350
Finance cost	(35,655)	(45,378)
Finance income – interest income	<u>56,154</u>	<u>1,261</u>
Finance income/(cost), net	<u>20,499</u>	<u>(44,117)</u>

note: No interest (2020: RMB3,350,000) has been capitalised in assets under construction for the year ended 31 December 2021. Interest was capitalised at the weighted average rate of its general bank borrowings of 3.63% per annum for the year ended 31 December 2020.

8. INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of profit or loss represents:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax:		
– Current tax	14,624	10,394
– (Over-provision)/under-provision in prior year	<u>(645)</u>	<u>4,501</u>
	13,979	14,895
Deferred tax	<u>(3,060)</u>	<u>2,910</u>
Income tax expense	<u>10,919</u>	<u>17,805</u>

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	Year ended 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
Auditor's remuneration		
– Audit services	1,707	1,779
– Non-audit services	—	—
Raw materials and consumables used	192,833	174,482
Amortisation of intangible assets	13,165	22,118
Depreciation of PP&E	57,926	59,560
Depreciation of investment properties	—	234
Depreciation of right-of-use assets	865	868
Short-term lease expenses	2,367	2,783
Employee benefit expenses	63,682	62,184
Advertising and marketing expenditure	4,784	20,740
City construction tax and education surcharge	1,964	6,951
Electricity and other utility expenses	7,422	7,732
Legal and other consulting services fee	9,866	7,266
Transportation costs	42,988	61,855
Gross rental income from investment properties	—	(4,705)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	—	3,946
Allowance for /(reversal of allowance for) ECL on financial assets		
– Trade receivables	31,488	(18,514)
– Other financial assets at amortised cost	22,748	2,502
Loss on disposal of PP&E	24	89

10. EARNINGS PER SHARE

(a) Basic earnings per share

As at 31 December 2021 and 2020, basic earnings per share is based on the following data:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	<u>46,954</u>	<u>16,973</u>

	Year ended 31 December	
	2021	2020
Weighted average number of ordinary shares in issue (thousands)	<u>2,515,356</u>	<u>2,503,267</u>

(b) Diluted earnings per share

Diluted earnings per share for 2021 were the same as basic earnings per share as the outstanding convertible bond had anti-dilutive effect on the basic earnings per share (2020: No diluted earnings per share for 2020 were presented as there were no potential ordinary share in issue as at 31 December 2020).

11. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January	650,697	698,283
Additions (note)	765,698	—
Share of results	8	(2,097)
Declaration of dividend	—	(45,489)
Balance at 31 December	<u>1,416,403</u>	<u>650,697</u>

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

notes:

In April 2021, the Group acquired 31% equity interests in Tibet Shannan Yalaxiangbu Industrial Ltd. (“**Shannan Yalaxiangbu**”), a company incorporated in the PRC with other limited liability, at a consideration of RMB465,000,000. Prior to the acquisition, the Group already held 9% equity interests in Shannan Yalaxiangbu, which were accounted for as “financial assets at FVTOCI” in the consolidated statement of financial position for financial reporting purposes. Upon completion of the acquisition, the Group held 40% equity interests in Shannan Yalaxiangbu, and transferred the aggregate fair value of approximately RMB190,698,000 to “Investments accounted for using the equity method” in the consolidated statement of financial position in applying equity method to account for the Group’s investment in Shannan Yalaxiangbu. Taking into consideration of the acquisition, a goodwill of approximately RMB595,820,000 has been identified in the investment in Shannan Yalaxiangbu.

In December 2021, the Group acquired 49% equity interests in Green Tiandi Food Marketing (Shenzhen) Co., Ltd. (綠色天地食品營銷(深圳)有限公司) (“**Green Tiandi Marketing**”), a company incorporated in the PRC with other limited liability, at a consideration of RMB50,000,000. Taking into consideration of the acquisition, a goodwill of approximately RMB48,856,000 has been identified in the investment in Green Tiandi Marketing.

In December 2021, the Group’s acquired 20% equity interests in Tibet Life Water Marketing Co., Ltd. (西藏生命之水營銷有限公司) (“**Tibet Life Water Marketing**”), a company incorporated in the PRC with other limited liability, at a consideration of RMB60,000,000. Taking into consideration of the acquisition, a goodwill of approximately RMB51,017,000 has been identified in the investment in Tibet Life Water Marketing.

13. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB’000	RMB’000
Trade receivables due from third parties	345,380	342,509
Less: allowance for ECL	(90,723)	(59,235)
	<u>254,657</u>	<u>283,274</u>

As at 31 December 2021 and 2020, the Group’s trade receivables due from third parties were all denominated in RMB. The credit period is generally 90 to 180 days. The aging analysis of trade receivables based on invoice dates is as follows:

	As at 31 December	
	2021	2020
	RMB’000	RMB’000
Within 6 months	97,392	55,243
Over 6 months but within 1 year	20,578	65,205
Over 1 year but within 2 years	78,878	145,205
Over 2 years	148,532	76,856
	<u>345,380</u>	<u>342,509</u>

14. TRADE AND NOTES PAYABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	77,923	82,360
Notes payables	200,000	241,790
	<u>277,923</u>	<u>324,150</u>

As at 31 December 2021 and 2020, the aging analysis of trade payables based on invoice dates is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	45,211	38,808
Over 3 months but within 6 months	8,218	1,671
Over 6 months but within 1 year	960	19,689
Over 1 year but within 2 years	11,572	14,885
Over 2 years	11,962	7,307
	<u>77,923</u>	<u>82,360</u>

As at 31 December 2021 and 2020, the Group's trade payables were all denominated in RMB and were not interest bearing.

The credit period on trade payables is generally within 90 days.

As at 31 December 2021, the bank acceptance notes amounting to approximately RMB200,000,000 (2020: RMB241,790,000) were guaranteed by bank deposits of approximately RMB40,000,000 (2020: RMB48,543,000).

According to the agreement of bank acceptance notes, maturity dates of notes payables are based on the following schedule: approximately RMB125,000,000 and RMB75,000,000 on 2 March 2022 and 24 November 2022 (2020: RMB68,790,000, RMB110,500,000 and RMB62,500,000 on 18 January 2021, 1 March 2021 and 16 November 2021), respectively. The amount of approximately RMB125,000,000 (2020: RMB179,367,000) was repaid subsequent to the end of the reporting period.

15. CONVERTIBLE BONDS - LIABILITY COMPONENT

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

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

During the year ended 31 December 2021, Convertible Bonds with the principle amount of HK\$22,644,000 (equivalent to RMB19,026,000) was converted into 30,600,000 new shares of the Company at a conversion price of HK\$0.74 per share.

The Convertible Bonds issued during the year have been split into the liability and equity components as follows:

	<i>RMB'000</i>
Nominal value of the Convertible Bonds issued during the period	317,702
Equity component	(22,848)
	<hr/>
Liability component at the issuance date	294,854
Interest expenses	16,591
Interest paid/payable	(11,530)
Conversion of the Convertible Bonds	(17,621)
Exchange alignment	(6,610)
	<hr/>
Liability component at 31 December 2021	275,684
	<hr/> <hr/>

16. SHARE CAPITAL

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares of HK\$0.01 each, issued and fully paid			
Balance as at 1 January 2020, 31 December 2020 and 1 January 2021	2,568,893	25,689	21,363
Share issued upon conversion of convertible bonds	<u>30,600</u>	<u>306</u>	<u>255</u>
Balance as at 31 December 2021	<u><u>2,599,493</u></u>	<u><u>25,995</u></u>	<u><u>21,618</u></u>

17. EVENTS AFTER THE REPORTING PERIOD

On 18 January 2022 (after trading hours), a wholly-owned subsidiary of the Company entered into an agreement with an independent third party, under which the wholly-owned subsidiary has agreed to sell and the independent third party has agreed to purchase 9.9% equity interest in Tibet Tiandi Green Beverage Development Co., Ltd. (“**Tiandi Green**”) (represented by 9.9% of the registered capital) at a cash consideration of HK\$58,000,000. Further details of the disposal of the 9.9% equity interest in Tiandi Green were set out in the announcement of the Company dated 18 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2021, the Group continued to be committed to the development of Tibet's water resources industry and beer industry, strived to enhance customer experience and optimized channel construction so that Tibet's unique and quality products could reach more consumers and potential consumers.

In 2021, as viruses such as Delta and Omicron continued to spread globally, the sales of the Group's water products in key market channels such as airlines, cinemas, hotels, entertainment and restaurants were significantly affected. Regional controls in Mainland China and poor logistics due to border shutdown between Hong Kong and Mainland China have not only increased costs but also made the timely supply of the Group's products more challenging. The Group's beer business mainly conducts sales in the Tibetan region. Although the pandemic in Tibet was under better control, the decline in the number of tourists entering Tibet also caused the sales and development of the Group's beer industry to fall short of the expected growth targets, with the sales volume and sales amount of beer in 2021 being almost the same as the previous year.

In 2021, the scale of the Group's bank financing in Tibet remained basically stable. In the face of the challenges posed by the impact of the pandemic, the Group also actively explored more financing channels and methods, such as the Group's successful issuance of convertible bonds with a principal amount of approximately HK\$380 million (equivalent to RMB318 million) at an annual interest rate of 5%; on the other hand, the Group is also actively negotiating with potential strategic partners to bring in new channel resources based on the Group's premium water resources to generate new revenue and cash flow for the Group's water business and beer business, and the relevant work is currently in progress. The management of the Group believes that although the impact of the pandemic has caused great disturbance, we will be able to cope with the challenges and usher in new development by consolidating our resources and making efforts to adjust.

Financial review

Revenue analysis

In 2021, due to the reasons mentioned in the “Business Review” section above, the total revenue of the Group amounted to RMB456 million, representing an decrease of 7.5% in comparison with 2020.

The revenue generated from our water business segment was RMB148 million, representing a decrease of 18.0% in comparison with 2020. As mentioned above, due to the impact of the COVID-19 pandemic on the important sales channels of the water business segment, the sales of water products have dropped, and the average selling price has dropped due to changes in the customer structure.

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

	2021	2020	% change
Volume (hectoliter)	422,217	447,370	↓ 5.6%
Revenue (RMB'000)	308,557	311,503	↓ 1.0%
Adjusted EBITDA* (RMB'000)	142,420	143,542	↓ 1.0%

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

In 2021, the overall gross profit margin of the Group was 41.9%, which decreased by 1.7 percentage points when compared to 2020. The gross profit margin of the water business segment was 41.5%, which decreased by 5.8 percentage points when compared to 2020, mainly due to the increase in the fixed cost allocated due to the decrease in sales volume leading to the increase in the average cost, and as mentioned above, the change in the customer structure leading to the decrease in the average selling price. The gross profit margin of the beer business segment was 42.0% in 2021, which increased by 0.7 percentage points when compared to 2020.

Selling and distribution costs and administrative expenses

In 2021, the selling and distribution costs decreased by approximately 49.5% to RMB53 million from RMB105 million in 2020, mainly due to the decrease in water sales, the corresponding reduction in transportation costs and promotion fees, and also part of the intangible assets having been fully amortized during the year, resulting in a corresponding decrease in the amortization expense of intangible assets. The administrative expenses increased by 5.9% from RMB68 million in 2020 to RMB72 million in 2021, mainly due to the increase in new product development fees of beer product.

Allowance for ECL on financial assets

Allowance for ECL on financial assets mainly included the allowance for ECL on trade receivables and other financial assets at amortised cost. The allowance for ECL on trade receivables was RMB31 million in 2021 (the reversal of allowance for ECL on trade receivables in 2020: RMB19 million). The allowance for ECL on other financial assets at amortised cost was RMB23 million in 2021 (2020: RMB3 million). The increase was due to the slowdown in the collection of receivables from customers that have been more affected by the pandemic.

Other gains, net

Other gains, net increased from net gains of RMB22 million in 2020 to RMB26 million in 2021, which was mainly due to (i) the increase in government grants of RMB18 million; offset by (ii) the decrease in fair value changes on FVTPL of RMB10 million; (iii) the decrease in gain on disposal of financial assets at FVTPL of RMB3 million; and (iv) the decrease in other gains of RMB1 million.

Finance income, net

In 2021, the Group incurred finance costs of approximately RMB36 million and gained finance income of RMB56 million. Finance costs decreased by RMB10 million compared with 2020 mainly due to (i) the decrease of RMB13 million in interest costs on borrowings from banks; and (ii) the repayment of borrowings to third parties leading to the decrease of approximately RMB17 million in related interest costs; which were offset by (iii) the decrease of RMB3 million in amount capitalised; and (iv) the issuance of the Convertible Bonds by the Company leading to the increase of RMB17 million in related interest costs. Finance income increased by RMB56 million mainly because interest income from interest-bearing loans to third parties was fully waived as a result of the pandemic impact in last year, but only half of the interest income was waived for this year, resulting in the increase in interest income of RMB55 million compared to last year.

Share of result on investments accounted for using the equity method

The share of result on investments accounted for using the equity method was mainly the share of result of Highland Natural Water whose ultimate controlling shareholder is China Petroleum & Chemical Co., Ltd. (“**Sinopec**”). The sales volume of Highland Natural Water in 2021 was 100,192 tonnes, decreased by 15.9% from last year, and its revenue was RMB349 million which represents an increase of 15.9% from last year. The Group’s 43.981% equity interests in Highland Natural Water generated share of Highland Natural Water’s net loss of RMB4 million (2020: net loss RMB5 million), offset by the net share of profits of other associate companies of RMB4 million, the total of share of result on investments accounted for using the equity method was RMB8,000 (share of loss on investments accounted for using the equity method in 2020: RMB2 million).

Income tax expense

In 2021, the income tax expense was RMB11 million which decreased by RMB7 million when compared to RMB18 million in 2020, mainly due to the decrease in profit of water business segment.

Profit for the year

Due to the reasons mentioned above, in 2021, the profit for the year was RMB47 million, which increased by RMB30 million when compared to RMB17 million in 2020.

Other financial positions

As at 31 December 2021, investments accounted for using the equity method of the Group amounted to RMB1,416 million compared to RMB651 million as at 31 December 2020. The increase was mainly due to the following reasons. First, the Group acquired 31% equity interests in Shannan Yalaxiangbu, at a consideration of RMB465 million in April 2021. Prior to the acquisition, the Group already held 9% equity interests in Shannan Yalaxiangbu, which was accounted for as financial assets at FVTOCI. Upon completion of the acquisition, the Group owned an aggregate of 40% equity interests in Shannan Yalaxiangbu, and transferred the aggregate fair value of approximately RMB190 million from financial assets at FVTOCI to investments accounted for using the equity method in the consolidated statement of financial position. Second, in order to further expand the sales channels of the Group's water business, the Group acquired 49% equity interests in Green Tiandi Marketing, at a consideration of RMB50 million in December 2021. Third, the Group acquired 20% equity interests in Tibet Life Water Marketing, at a consideration of RMB60 million in December 2021. After the acquisitions, Green Tiandi Marketing and Tibet Life Water Marketing became associates of the Group. Both Green Tiandi Marketing and Tibet Life Water Marketing have good resources and advantages in e-commerce platform sales. Further details of the acquisition of 31% equity interests in Shannan Yalaxiangbu are set out in Note 12 to the consolidated financial statements of this announcement and the Company's announcements dated 30 March 2021 and 4 May 2021 respectively.

As at 31 December 2021, financial assets at FVTOCI of the Group were nil compared to RMB174 million as at 31 December 2020. The decrease was due to the reason mentioned in the above paragraph.

As at 31 December 2021, financial assets at FVTPL of the Group amounted to RMB2 million compared to RMB192 million as at 31 December 2020. The decrease was mainly because the Group disposed of the investment in structured financial products of RMB181 million and recognised the unrealized fair value losses of unlisted equity investment of RMB9 million in 2021.

As at 31 December 2021, net trade receivables of the Group amounted to RMB255 million compared to RMB283 million as at 31 December 2020. The decrease was mainly due to the increase in allowance for ECL of trade receivables of RMB31 million.

The Group maintained regular contact with our major debtors through meetings and telephone conversations and paid regular attention to public information about our major debtors to understand the status of their operations, their continuing business needs and the ways in which the Group can improve its services. As at 31 December 2021, allowance for ECL on trade receivables was RMB91 million (as at 31 December 2020: RMB59 million).

As at 31 December 2021, prepayments of the Group amounted to RMB138 million compared to RMB86 million as at 31 December 2020. The increase was mainly due to the increase in prepayment for purchasing raw materials.

As at 31 December 2021, other financial assets at amortised cost, net of allowance for ECL of the Group amounted to RMB987 million compared to RMB1,367 million as at 31 December 2020. As at 31 December 2021, other financial assets at amortised cost mainly included the amounts due from third parties amounting to RMB749 million, the amount due from an associate company of RMB3 million, receivable on the proceeds on disposal of structured financial assets of RMB190 million, which has been fully settled as at the date of this announcement, and other receivables amounting to RMB73 million. As at 31 December 2021, allowance for ECL on other financial assets at amortised cost amounted to approximately RMB28 million (as at 31 December 2020: RMB5 million).

As at 31 December 2021, inventories of the Group amounted to RMB91 million compared to RMB60 million as at 31 December 2020. The increase was mainly attributable to an increase in raw materials inventories.

As at 31 December 2021, contract liabilities of the Group amounted to RMB55 million compared to RMB17 million as at 31 December 2020. The increase was mainly due to the increase in advances received from customers of the sales of water and beer products of RMB38 million.

As at 31 December 2021, accruals and other payables of the Group amounted to RMB167 million compared to RMB424 million as at 31 December 2020. The decrease was mainly due to the decrease in borrowings from a third party of RMB297 million, offset by the increase in amount received from a third party of RMB31 million and the increase in other payables of approximately RMB9 million.

As at 31 December 2021, the bank borrowings of the Group decreased by RMB125 million, which was mainly because the repayment of principal of bank borrowings amounting to RMB245 million in 2021 was offset by the proceeds from bank borrowings amounting to RMB120 million in 2021.

As at 31 December 2021, the liability component of the Convertible Bonds issued by the Company amounted to RMB276 million, and nil as at 31 December 2020, as the Company did not have any liability components of the Convertible Bonds. In March 2021, the Company issued the Convertible Bonds with principal amount of approximately HK\$380 million (equivalent to RMB318 million) which borne an interest rate of 5.0% per annum. Further details of the Convertible Bonds are set out in Note 15 to the consolidated financial statements of this announcement.

Employees

As at 31 December 2021, the total number of employees of the Group was 349 compared to 395 as at 31 December 2020. Relevant staff cost of the Group was RMB64 million in 2021 (2020: RMB62 million).

The Group adopted a share award scheme in 2017. Up to 31 December 2021, no share has been granted by the Group to any parties under the share award scheme.

Gearing ratio

The gearing ratio is calculated as borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties) divided by total capital. The total capital is calculated as “equity” as shown in the consolidated statement of financial position plus borrowings (including bank borrowings, liability component of convertible bonds and borrowings from third parties). As at 31 December 2021 and 31 December 2020, the gearing ratios of the Group were 21.29% and 25.09%, respectively.

Merger and acquisition

In 2021, the Group acquired 31% equity interests in Shannan Yalaxiangbu, a company incorporated in the PRC with other limited liability, at a consideration of RMB465 million. Prior to the acquisition, the Group already held 9% equity interests in Shannan Yalaxiangbu. Upon completion of the acquisition, the Group was interested in 40% equity interests in Shannan Yalaxiangbu. The Group also acquired 49% equity interests in Green Tiandi Marketing, a company incorporated in the PRC with limited liability, at a consideration of RMB50 million and 20% equity interests in Tibet Life Water Marketing, a company incorporated in the PRC with limited liability, at a consideration of RMB60 million. After the acquisitions, Shannan Yalaxiangbu, Green Tiandi Marketing and Tibet Life Water Marketing became associates of the Group. Further details of the acquisition of 31% equity interests in Shannan Yalaxiangbu are set out in Note 12 to the consolidated financial statements of this announcement and the Company’s announcements dated 30 March 2021 and 4 May 2021 respectively.

Significant investments

In 2021, the Group acquired PP&E of RMB6 million (2020: RMB9 million). Regarding the future development and outlook of the Group, please refer to the section headed “Outlook” in this “Management Discussion and Analysis” section.

Capital commitments

As at 31 December 2021, the Group had committed to purchasing PP&E of approximately RMB45 million (31 December 2020: RMB37 million), and equity investment of RMB16 million (31 December 2020: RMB16 million). The funding sources related to these commitments are expected to be disbursed from the Group's own capital.

Charges (or pledges)

As at 31 December 2021, (i) a bank loan with the principal amount of RMB100 million and bank acceptance note of RMB75 million of the Group were secured by the pledge of 35% of Tiandi Green's equity interest and 7% of Highland Natural Water's equity interests (31 December 2020: bank loan with the principal amount of RMB290 million was secured by the pledge of 35% of Tiandi Green's equity interest); (ii) a bank loan with the principal amount of RMB100 million (31 December 2020: RMB100 million) of the Group was secured by the pledge of 15% of Highland Natural Water's equity interests (31 December 2020: 15% of Highland Natural Water's equity interest); (iii) a bank loan with the principal amount of RMB150 million (31 December 2020: RMB150 million) of the Group was secured by land use rights of a third party of the Group (31 December 2020: secured by land use rights of a third party of the Group); (iv) a bank loan with the principal amount of RMB100 million (31 December 2020: nil) of the Group was secured by the pledge of 20% of Shannan Yalaxiangbu's equity interests; and (v) a bank loan with principal amount of RMB100 million (31 December 2020: RMB100 million) of the Group was secured by the Group's factory plant with net book value of RMB49 million (31 December 2020: RMB62 million) and land use rights with net book value of RMB12 million (31 December 2020: RMB27 million).

The bank acceptance notes amounting to RMB200 million (31 December 2020: RMB242 million) were guaranteed by bank deposits of RMB40 million (31 December 2020: RMB48 million).

Contingent liabilities

The Group provided financial guarantee net amounting to RMB280 million to an associate as at 31 December 2021 (31 December 2020: RMB170 million). The guarantee was provided for bank borrowings obtained by the associate in the amount of RMB150 million and for bank acceptance note in the net amount of RMB130 million as at 31 December 2021 (31 December 2020: RMB170 million bank borrowings). The period of the guarantee for net amount RMB160 million is from 26 October 2021 to 25 October 2022. The period of the remaining guarantee amounting to RMB120 million is from 15 July 2021 to 15 July 2027.

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 2021, management of the Group did not consider it necessary to enter into any hedging transactions in order to reduce the exposure to foreign exchange risk because the exposure, after netting off the assets and liabilities subject to foreign exchange risk, was not significant.

Production capacity

In 2021, the annual water production capacity and annual beer production capacity are approximately 300,000 tonnes and 2,000,000 hectoliter respectively, same as in 2020. The Group will assess its production capacity periodically and consider increasing production capacity to meet the demands of future development.

Use of net proceeds from the global offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 30 June 2011 with net proceeds from the global offering of approximately HKD1,472 million (including proceeds from the exercise of over-allotment option and after deducting underwriting commissions and related expenses). On 10 April 2013, the Company resolved to change the usage of the net proceeds from the global offering. Please refer to the Company's announcement dated 10 April 2013 for details. The revised usage of the net proceeds has been allocated in the following manner:

	As at 31 December Revised usage of net proceeds HKD'Million	As at 31 December 2020 Utilized net proceeds HKD'Million	In 2021 Utilized net proceeds HKD'Million	As at 31 December 2021 Utilized net proceeds HKD'Million	As at 31 December 2021 Unutilized net proceeds HKD'Million
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	133	133	—	133	—
Expand our distribution network and toward promotional activities	206	46	2	48	158
Mergers and acquisitions that complement our existing business	1,092	1,092	—	1,092	—
Working capital and other general corporate purpose	41	41	—	41	—
	<u>1,472</u>	<u>1,312</u>	<u>2</u>	<u>1,314</u>	<u>158</u>

As at 31 December 2021, the Group has utilized net proceeds amounting to HKD133 million, HKD48 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.

Final dividend

No dividend has been declared by the Company in respect of 2021 (2020: nil).

Outlook

Water Business Segment

The Group will continue to make full use of its existing advantages in resources, sales channels and logistics network to solidify and strengthen its important strategic position in the Tibetan water industry.

The Group will continue to invest significant resources to strengthen its strategic cooperation efforts with Sinopec and PetroChina Company Limited and leverage on the quality water sources and production advantages of the two companies, Highland Natural Water and Shannan Yalaxiangbu, as well as the brand influence and strong sales network of EASY JOY (易捷) and uSmile Convenience Store (昆侖好客便利店), so that more customers will be aware of and exposed to the Group's products.

The Group will strengthen its sales and logistics cooperation with different key platforms such as JD.com to accelerate the development of the Group's products in e-commerce channels, and the Group will also seek and establish more strategic cooperation in emerging areas such as community consumption to make the Group's sales model more diversified and enable its products to reach more customers, so that good Tibetan water can reach thousands of households and may more people drink better water.

The Group will continue to maintain and develop the premium brand positioning and brand advantages of "5100 Glacial Mineral Water", and continue to enhance its brand image and influence by combining marketing and promotional activities with existing resources in key target channels such as cinemas, hotels, airlines, e-commerce platforms, office and home users.

Beer Business Segment

While stabilising and strengthening the development of the local Tibetan market, the Group will increase its resources allocation in new product research and development and channel development. The Group strives to organically combine our specialty barley beers with Tibetan history and culture, and take our products out of Tibet through cultural tourism and the export of our specialty creative products to further enhance the market exposure and recognition of our products. The Group believes that as the impact of the pandemic subsides, our beer business segment will continue to face strong market demand and bring new market opportunities for the Group.

Events after the reporting period

Please refer to Note 17 to the consolidated financial statements of this announcement.

AUDIT COMMITTEE

The audit committee is mainly responsible for monitoring the integrity of the Company's financial statements, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2021.

EXTERNAL AUDITOR

HLB Hodgson Impey Cheng Limited (“**HLB**”) has been re-appointed as the auditor of the Company with effect from 11 August 2021 and to hold office until the conclusion of the next annual general meeting of the Company (“**AGM**”). The consolidated financial statements for the year ended 31 December 2021 were audited by HLB, who will retire at the conclusion of the forthcoming 2022 AGM and, being eligible, will offer itself for re-appointment as external auditor of the Company.

SCOPE OF WORK OF EXTERNAL AUDITOR

The financial figures in respect of this announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's auditor, HLB, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing and consequently no assurance has been expressed by HLB on the preliminary results announcement.

CORPORATE GOVERNANCE CODE

No incident of non-compliance with the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021 has been noted by the Company.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out in the Model Code for the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

ACKNOWLEDGEMENT

The Board would like to express its sincere appreciation for the devotion and hard work of the management team and all the staff members, as well as the support from the shareholders, business partners and loyal customers.

By order of the Board
Tibet Water Resources Ltd.
YAN Qingjiang
Executive Director

Hong Kong, 21 April 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.