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Tibet Water Resources Ltd.
西藏水資源有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1115)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		Change %
	2024	2023	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
Revenue	138,815	172,971	↓ 19.7%
Adjusted EBITDA*	43,009	19,146	↑ 124.6%
Profit/(loss) for the period attributable to owners of the Company	9,037	(13,467)	N/A
Earnings/(loss) per share - Basic and diluted (RMB cents)	0.21	(0.35)	N/A
		As at 30 June 2024	As at 31 December 2023
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets		3,879,436	3,985,556
Equity attributable to owners of the Company		2,959,517	2,855,761

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

INTERIM RESULTS

The board of directors (the “**Directors**”) (the “**Board**”) of Tibet Water Resources Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024. These interim results have been reviewed by the Company’s audit committee (the “**Audit Committee**”), comprising all of the independent non-executive Directors, one of whom chairs the committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Unaudited	
		Six months ended 30 June	
		2024	2023
		<i>RMB’000</i>	<i>RMB’000</i>
Revenue	5	138,815	172,971
Cost of sales		(109,587)	(122,800)
Gross profit		29,228	50,171
Selling and distribution costs		(19,578)	(16,776)
Administrative expenses		(32,555)	(37,418)
Reversal of allowance/(allowance) for expected credit loss (“ ECL ”) on financial assets		2,887	(10,395)
Other gains, net	6	37,039	7,043
Operating profit/(loss)		17,021	(7,375)
Finance (cost)/income, net		(5,077)	1,031
Share of result on investments accounted for using the equity method	10	(2,062)	(2,410)
Profit/(loss) before income tax		9,882	(8,754)
Income tax expense	8	(845)	(4,713)
Profit/(loss) for the period	7	9,037	(13,467)
Profit/(loss) for the period attributable to owners of the Company:		9,037	(13,467)
Earning/(loss) per share attributable to owners of the Company			
– basic and diluted (RMB cents per share)	9	0.21	(0.35)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period	9,037	(13,467)
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	(1,748)	2,899
Other comprehensive (loss)/income for the period, net of tax	(1,748)	2,899
Total comprehensive income/(loss) for the period	7,289	(10,568)
Total comprehensive income/(loss) attributable to owners of the Company for the period	7,289	(10,568)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2024 <i>RMB'000</i>	Audited 31 December 2023 <i>RMB'000</i>
Non-current assets			
Right-of-use assets		25,654	27,779
Property, plant and equipment (“PP&E”)		313,264	332,894
Intangible assets		23,082	24,679
Goodwill		721,139	721,139
Investments accounted for using the equity method		1,210,507	1,215,508
Deferred tax assets		2,145	2,143
Prepayments		4,609	4,756
Total non-current assets		2,300,400	2,328,898
Current assets			
Inventories		98,993	118,730
Trade receivables	11	192,870	181,898
Loan receivables	12	—	75,369
Prepayments		303,729	251,938
Other financial assets at amortised cost		958,818	1,006,965
Cash and cash equivalents		24,626	21,758
Total current assets		1,579,036	1,656,658
Current liabilities			
Trade and notes payables	13	144,821	153,940
Deferred revenue		2,075	2,374
Contract liabilities		42,260	17,061
Tax payable		30,884	31,526
Accruals and other payables		238,794	160,862
Bank borrowings		332,500	372,500
Lease liabilities		392	1,110
Convertible bonds - liability component	14	81,640	321,354
Total current liabilities		873,366	1,060,727
Net current assets		705,670	595,931
Total assets less current liabilities		3,006,070	2,924,829

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

		Unaudited	Audited
		30 June	31 December
	<i>Note</i>	2024	2023
		RMB'000	RMB'000
Non-current liabilities			
Bank borrowings		34,000	54,000
Deferred revenue		8,132	9,019
Deferred tax liabilities		4,421	4,977
Lease liabilities		—	1,072
		<hr/>	<hr/>
Total non-current liabilities		46,553	69,068
		<hr/>	<hr/>
Net assets		2,959,517	2,855,761
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Capital and reserves			
Share capital	15	38,929	34,388
Reserves		2,920,588	2,821,373
		<hr/>	<hr/>
Total equity attributable to owners of the Company		2,959,517	2,855,761
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The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 November 2010. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is engaged in production and sales of water products and beer products in the People's Republic of China (the "PRC"). The Group also provides lending services to third parties in Hong Kong Special Administrative Region with relevant license.

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 June 2011.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), 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 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix D2 to the Listing Rules. The condensed consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

3.1 New and amended standards adopted by the Group

Other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company, 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, leasing production lines 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 condensed 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 condensed consolidated financial statements.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2024 and as at 30 June 2024 is as follows:

	Unaudited			
	Six months ended 30 June 2024			
	Water business segment RMB'000	Beer business segment RMB'000	Corporate and others RMB'000	Total RMB'000
Total segment revenue	54,307	83,581	927	138,815
Cost of sales	(43,759)	(65,828)	—	(109,587)
Gross profit	10,548	17,753	927	29,228
Share of result on investments accounted for using the equity method	(2,062)	—	—	(2,062)
Reversal of allowance for ECL on financial assets	740	810	1,337	2,887
Adjusted EBITDA*	6,395	43,721	(7,107)	43,009
Finance income	9,661	5,392	386	15,439
Finance costs	(4,421)	(2,517)	(13,578)	(20,516)
Depreciation and amortisation	(10,175)	(17,662)	(213)	(28,050)
Profit/(loss) before tax	1,460	28,934	(20,512)	9,882
Income tax (expenses)/credit	2	(1,185)	338	(845)
Profit/(loss) for the period	1,462	27,749	(20,174)	9,037

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

	Unaudited As at 30 June 2024		
	Water business segment <i>RMB'000</i>	Beer business segment <i>RMB'000</i>	Total <i>RMB'000</i>
Segment total assets	4,025,342	2,504,304	6,529,646
– Investments accounted for using the equity method	1,210,507	—	1,210,507
Unallocated			
Deferred tax assets			2,145
Assets of corporate and others			26,059
Inter-segment elimination			<u>(2,678,414)</u>
Total assets			<u><u>3,879,436</u></u>
Segment total liabilities	1,510,755	373,186	1,883,941
Unallocated			
Deferred tax liabilities			4,421
Liabilities of corporate and others			180,633
Inter-segment elimination			<u>(1,149,076)</u>
Total liabilities			<u><u>919,919</u></u>

4 SEGMENT INFORMATION (CONTINUED)

(b) Segment information disclosures (continued)

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2023 and as at 31 December 2023 is as follows:

	Unaudited			Total RMB'000
	Water business segment RMB'000	Beer business segment RMB'000	Corporate and others RMB'000	
Total segment revenue	48,986	122,491	1,494	172,971
Cost of sales	(41,915)	(80,885)	—	(122,800)
Gross profit	7,071	41,606	1,494	50,171
Share of result on investments accounted for using the equity method	(2,410)	—	—	(2,410)
Allowance for ECL on financial assets	(8,077)	(1,546)	(772)	(10,395)
Adjusted EBITDA*	(15,234)	45,628	(11,248)	19,146
Finance income	10,098	5,198	676	15,972
Finance costs	(1,584)	(1,023)	(12,334)	(14,941)
Depreciation and amortisation	(10,868)	(17,618)	(445)	(28,931)
(Loss)/profit before tax	(17,588)	32,185	(23,351)	(8,754)
Income tax (expenses)/credit	(2,416)	(2,943)	646	(4,713)
(Loss)/profit for the period	<u>(20,004)</u>	<u>29,242</u>	<u>(22,705)</u>	<u>(13,467)</u>

* 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 (loss)/profit for the period: (i) finance (cost)/income, net; (ii) depreciation and amortisation; and (iii) income tax expenses.

Adjusted EBITDA is not an accounting measure under IFRSs and should not be considered as an alternative to the profit/(loss) for the period 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)

	Audited		Total RMB'000
	As at 31 December 2023		
	Water business segment RMB'000	Beer business segment RMB'000	
Segment total assets	3,988,940	2,545,158	6,534,098
– Investments accounted for using the equity method	1,215,508	—	1,215,508
Unallocated			
Deferred tax assets			2,143
Assets of corporate and others			93,049
Inter-segment elimination			(2,643,734)
Total assets			<u>3,985,556</u>
Segment total liabilities	1,406,148	437,311	1,843,459
Unallocated			
Deferred tax liabilities			4,977
Liabilities of corporate and others			396,029
Inter-segment elimination			(1,114,670)
Total liabilities			<u>1,129,795</u>

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 to associates. Breakdown of the revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers: <i>Recognised at a point in time</i>		
Sales of water products	50,935	45,510
Sales of beer products	83,581	122,226
Sales of raw materials and consumables	—	268
	<u>134,516</u>	<u>168,004</u>
Revenue from other sources:		
Rental income	3,372	3,473
Interest income from lending service	927	1,494
	<u>4,299</u>	<u>4,967</u>
	<u>138,815</u>	<u>172,971</u>

6 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants (note a)	15,567	6,189
Gain on disposal of a subsidiary (note b)	16,524	—
Others	4,948	854
	<u>37,039</u>	<u>7,043</u>

note a:

During the current interim period, the Group recognised government grants of RMB15,567,000 (six months ended 30 June 2023: RMB6,189,000) in respect of government subsidies granted to the Group by the local government authorities in the PRC. These grants are generally made for business support and awarded to enterprises on a discretionary basis.

note b:

The Group disposed of its 100% equity interests in a subsidiary on 1 April 2024. The disposal was made due to a strategic consideration for the development of the Group. The above-mentioned subsidiary is engaged in the sales of water and beer products. Gain on disposal of a subsidiary was approximately RMB16,524,000.

7 PROFIT/LOSS FOR THE PERIOD

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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Raw materials and consumables used	64,448	81,589
Transportation costs	10,659	8,747
Depreciation of PP&E	25,744	26,633
Depreciation of right-of-use assets	709	688
Amortisation of intangible assets	1,597	1,610
Employee benefit expenses	32,606	37,081
Legal and other consulting service fee	2,343	3,751
Advertising and marketing expenditure	2,532	688
City construction tax and education surcharge	871	442
Electricity and other utility expenses	4,366	4,376
Short-term lease expenses	912	824
(Reversal of allowance)/allowance for ECL on financial assets		
– Trade receivables	(45)	9,349
– Loan receivables	(1,357)	—
– Other financial assets at amortised cost	(1,485)	1,046
	<u>(1,485)</u>	<u>1,046</u>

8 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax:		
– Current income tax	1,403	3,253
Deferred tax	(558)	1,460
	<u>845</u>	<u>4,713</u>
Income tax expense	<u><u>845</u></u>	<u><u>4,713</u></u>

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share for the six months ended 30 June 2024 and 2023 is based on the following data:

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit/(loss) attributable to owners of the Company (RMB'000)	9,037	(13,467)
Weighted average number of ordinary shares in issue ('000)	4,373,452	3,844,535
	<u>0.21</u>	<u>(0.35)</u>
Basic earnings/(loss) per share (RMB cents)	<u><u>0.21</u></u>	<u><u>(0.35)</u></u>

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share for six months ended 30 June 2024 and 2023 were the same as basic earnings/(loss) per share as the outstanding convertible bonds had anti-dilutive effect on the basic earnings per share.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at	
	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
At the beginning of the period	1,215,508	1,443,916
Additions	—	33,000
Share of results	(2,062)	(263)
Declaration of dividend	(2,939)	—
Impairment loss recognised	—	(261,145)
	<u>1,210,507</u>	<u>1,215,508</u>
At the end of the period	<u><u>1,210,507</u></u>	<u><u>1,215,508</u></u>

11 TRADE RECEIVABLES

The credit period is generally 90 to 180 days. The aging analysis of trade receivables based on invoice dates is as follows:

	As at	
	30 June 2024 <i>RMB'000</i> <i>Unaudited</i>	31 December 2023 <i>RMB'000</i> <i>Audited</i>
Within 6 months	98,693	95,281
Over 6 months but within 1 year	37,514	22,400
Over 1 year but within 2 years	45,180	41,765
Over 2 years	94,851	105,874
	<hr/>	<hr/>
	276,238	265,320
Less: allowance for ECL	(83,368)	(83,422)
	<hr/>	<hr/>
	192,870	181,898

12 LOAN RECEIVABLES

The carrying amount of loan receivables from money lending business of the Group was as follows:

	As at	
	30 June 2024 <i>RMB'000</i> <i>Unaudited</i>	31 December 2023 <i>RMB'000</i> <i>Audited</i>
Loan receivable arising from money lending business	—	76,726
Less: allowance for ECL	—	(1,357)
	<hr/>	<hr/>
	—	75,369

As at 31 December 2023, loan receivables are unsecured, interest-bearing at fixed rates ranging from 7%-8% per annum.

The maturity profile of the loan receivables, net of allowance for ECL, if any, at the end of the reporting period, analysed by the remaining period to its contracted maturity, is as follows:

	As at	
	30 June 2024 <i>RMB'000</i> <i>Unaudited</i>	31 December 2023 <i>RMB'000</i> <i>Audited</i>
Within 1 year	—	75,369

During the year ended 31 December 2023, allowance for ECL of RMB1,357,000 was recognised in respect of loan receivables. All the loan receivables have been settled during the first half of 2024.

13 TRADE AND NOTES PAYABLES

	As at	
	30 June 2024 <i>RMB'000</i> <i>Unaudited</i>	31 December 2023 <i>RMB'000</i> <i>Audited</i>
Trade payables	34,511	42,840
Notes payables	110,310	111,100
	<u>144,821</u>	<u>153,940</u>

As at 30 June 2024 and 31 December 2023, the aging analysis of trade payables based on invoice dates is as follows:

	As at	
	30 June 2024 <i>RMB'000</i> <i>Unaudited</i>	31 December 2023 <i>RMB'000</i> <i>Audited</i>
Within 3 months	20,204	18,834
Over 3 months but within 6 months	561	6,588
Over 6 months but within 1 year	5,617	3,400
Over 1 year but within 2 years	586	5,071
Over 2 years	7,543	8,947
	<u>34,511</u>	<u>42,840</u>

As at 30 June 2024 and 31 December 2023, the Group's trade payables were all denominated in RMB and non-interest bearing. The credit period on trade payables are generally within 90 days.

As at 30 June 2024, the bank acceptance notes amounting to approximately RMB110,310,000 (31 December 2023: RMB111,100,000) were guaranteed by bank deposits of approximately RMB11,031,000 (31 December 2023: RMB11,110,000).

14 CONVERTIBLE BONDS – LIABILITY COMPONENT

The Company issued 5% convertible bonds with principal amount of HK\$379,620,000 (equivalent to RMB317,702,000) (the “2021 Convertible Bonds”) in March 2021. The 2021 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 HKD0.74 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.

14 CONVERTIBLE BONDS – LIABILITY COMPONENT (CONTINUED)

During the year ended 31 December 2021, the 2021 Convertible Bonds with the principal amount of HK\$22,644,000 (equivalent to RMB19,026,000) were converted into 30,600,000 new shares of the Company at a conversion price of HK\$0.74 per share. No 2021 Convertible Bonds were converted during the year ended 31 December 2023 and the period ended 30 June 2024.

In March 2024, a total aggregate of the principal and interest of approximately HKD167,928,000 (equivalent to RMB152,411,000) have been repaid and the remaining principal has been transferred into short-term loan arrangements.

The Company issued new 10% convertible bonds with principal amount of HK\$90,000,000 (equivalent to RMB82,060,000) (the “**New Convertible Bonds**”) in June 2024. The New Convertible Bonds are denominated in Hong Kong dollars, unsecured and with interest payable in one lump sum upon maturity. 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 September 2024 at a conversion price of HK\$0.30 per share (subject to anti-dilutive adjustments). The bonds can be early redeemed upon certain events at the option of the bondholder or the issuer. If the bonds have not been converted or redeemed, they will be redeemed in September 2024 at par value plus accrued interest.

No New Convertible Bonds were converted during the period ended 30 June 2024.

The fair value of the liability component of the New Convertible Bond at 30 June 2024 amounted to HKD90,000,000 (equivalent to RMB82,095,000), which is calculated using cash flows discounted at the rate of 11.96% and is within level 3 of the fair value hierarchy.

The liability component of convertible bonds issued in 2021 is as follows:

	<i>RMB'000</i>
Liability component at 1 January 2023	308,696
Interest expenses	24,165
Interest paid/payable	(16,035)
Exchange alignment	4,528
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Liability component at 31 December 2023	321,354
Interest expenses	6,191
Interest paid/payable	(4,050)
Repayment of 2021 Convertible Bonds' principal	(105,714)
Transfer to loan principal	(218,278)
Exchange alignment	497
	<hr/>
As at 5 March 2024 (2021 Convertible Bonds maturity date)	—
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The liability component of convertible bonds issued in 2024 is as follows:

	<i>RMB'000</i>
As at 19 June 2024 (Issuance date of New Convertible Bonds)	
Liability component as at issuance date	81,523
Exchange alignment	117
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Liability component at 30 June 2024	81,640
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15 SHARE CAPITAL

	Number of ordinary shares (thousands)	Unaudited 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 2023 (Audited)	3,059,391	30,594	25,580
Share issued upon completion of rights issue (Note (a))	1,019,797	10,198	8,808
Balance as at 31 December 2023 (Audited) and 1 January 2024 (Audited)	4,079,188	40,792	34,388
Share issued upon placing of new shares (Note (b))	500,000	5,000	4,541
Balance as at 30 June 2024 (Unaudited)	4,579,188	45,792	38,929

note:

- (a) On 30 January 2023, a total of 1,019,797,000 new shares were successfully allotted and issued pursuant to the rights issue at the subscription price of HKD0.385 per share. Further details were set out in the Company's announcement dated 27 January 2023.
- (b) On 21 February 2024, the Company completed the placing of new shares under general mandate. A total of 500,000,000 placing shares have been successfully placed to not less than six places at the placing price of HK\$0.218 per placing share. The use of net proceeds for this placing is for partial redemption of the 2021 Convertible Bonds and for general working capital of the Group. Further details were set out in the announcements of the Company dated 21 February 2024.

16 DIVIDENDS

No dividends were paid, declared, or proposed during the period ended 30 June 2024 (six months ended 30 June 2023: Nil). The directors of the Company have determined that no dividend will be paid in respect of the period ended 30 June 2024 (six months ended 30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2024, the Group continued to be committed to the development of the water resources industry and the beer industry in Tibet, striving to enhance the user experience and optimize channel expansion, so as to enable Tibet's distinctive and premium products to reach more consumers and potential consumers.

In the first half of 2024, China's economy continued to operate in a stable mode, and the overall performance of consumption was relatively weak. The foundation for the recovery of the consumer market still needs to be consolidated and consumer confidence needs to be further boosted, with consumers' attitude towards consumption becoming more prudent and rational. The domestic packaged drinking water market was in keen competition, but the Group's packaged drinking water products are still focusing on the expansion of special channels, including sales growth in auto services and railway channels. The overall sales volume of the water business increased by 18.6% year-on-year, while its revenue increased by 10.9% year-on-year. Against the backdrop of the overall decline in sales volume in the beer industry, the Group's beer business was affected by the interplay of the increasing market competition and the overall consumption trend, resulting in a year-on-year decrease in sales volume by 28.5% and revenue by 31.8%.

In the first half of 2024, the scale of the Group's bank financing in Tibet decreased. The Group also actively utilized and leveraged on the advantages of the offshore financing platform of listed company and successfully completed an equity financing in early 2024, which provided strong support for stabilizing the Group's business operations. The investors of the Company have fully demonstrated their recognition of and confidence in the future development of the Group through their active participation in financing activities and actual investment. The management of the Group has always firmly believed in focusing on the return to the products as the cornerstone, the enhancement of customer experience as the goal, the deep ploughing of brand value as the guide, and the maximization of shareholders' returns as the core, so as to focus on the strengths of the Group and strive for the future.

FINANCIAL REVIEW

REVENUE ANALYSIS

In the first half of 2024, due to the reasons mentioned in the "Business Review" section above, the total revenue of the Group amounted to RMB139 million, representing a decrease of 19.7% in comparison with the first half of 2023.

The revenue generated from our water business segment was RMB54 million, representing an increase of 10.9% in comparison with the first half of 2023. The increase in revenue was mainly due to the increase in sales volume of water products in main sales channels of the Group.

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

	the first half of 2024	the first half of 2023	% change
Volume (hectoliter)	115,557	161,539	↓ 28.5%
Revenue (RMB'000)	83,581	122,491	↓ 31.8%
Adjusted EBITDA* (RMB'000)	43,721	45,628	↓ 4.2%

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

In the first half of 2024, the overall gross profit margin of the Group was 21.1%, which decreased by 7.9 percentage points when compared to the first half of 2023. The gross profit margin of the water business segment was 19.4%, which increased by 5 percentage points when compared to the first half of 2023. The gross profit margin of the beer business segment was 21.2% in the first half of 2024, which decreased by 12.8 percentage points when compared to the first half of 2023. The decrease in the overall gross profit margin was mainly due to the higher fixed costs allocated due to the decrease in sales volume of beer products and the decrease in average selling price.

SELLING AND DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

In the first half of 2024, the selling and distribution costs increased by 16.7% to RMB20 million from RMB17 million in the first half of 2023, mainly due to an increase in brand and business marketing promotion expenses and an increase in transportation costs due to an increase in water sales. The administrative expenses decreased by 13.0% to RMB33 million from RMB37 million in the first half of 2023, mainly due to the decrease in staff costs.

REVERSAL OF ALLOWANCE/ALLOWANCE FOR ECL ON FINANCIAL ASSETS

Reversal of allowance for ECL on financial assets mainly included the reversal of allowance for ECL on trade receivables, loan receivables and other financial assets at amortised cost. The reversal of allowance for ECL on financial assets was RMB3 million in the first half of 2024 (the first half of 2023: allowance RMB10 million). The reversal of allowance was due to the collections of loan receivables and the improvements in the overall aging of financial assets.

OTHER GAINS, NET

In the first half of 2024, other gains, net was RMB37 million (the first half of 2023: RMB7 million), which mainly included the government grants of RMB16 million (the first half of 2023: RMB6 million) and the gain on disposal of a subsidiary was RMB17 million (the first half of 2023: nil). The disposal was made due to a strategic consideration of the Group's development. Please refer to Note 6 to the condensed consolidated financial statements of this announcement.

SHARE OF RESULT ON INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In the first half of 2024, the share of loss on investments accounted for using the equity method was RMB2 million, similar to same period of last year.

INCOME TAX EXPENSE

In the first half of 2024, the income tax expense was RMB1 million which decreased by RMB4 million when compared to RMB5 million in the first half of 2023. The decrease was primarily due to the decrease in profit before tax in the beer business segment.

PROFIT/LOSS FOR THE HALF YEAR

For the reasons mentioned above, in the first half of 2024, the profit for the half year was RMB9 million compared to the loss of RMB13 million in the first half of 2023.

OTHER FINANCIAL POSITIONS

As at 30 June 2024, inventories of the Group amounted to RMB99 million compared to RMB119 million as at 31 December 2023. The decrease was mainly attributable to a decrease in raw materials inventories.

As at 30 June 2024, net trade receivables of the Group amounted to RMB193 million compared to RMB182 million as at 31 December 2023. 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 30 June 2024, the loan receivables of the Group were nil compared to RMB75 million as at 31 December 2023. The balance as at 31 December 2023 included loan to third parties with relevant license in Hong Kong. The balance of loan receivables was fully settled in March 2024.

As at 30 June 2024, prepayments (current portion) of the Group amounted to RMB304 million compared to RMB252 million as at 31 December 2023. The increase was mainly due to the increase in prepayment for purchasing raw materials.

As at 30 June 2024, other financial assets at amortised cost, net of allowance for ECL of the Group amounted to RMB959 million compared to RMB1,007 million as at 31 December 2023. As at 30 June 2024, other financial assets at amortised cost mainly included the amounts due from third parties amounting to RMB927 million and other receivables amounting to RMB71 million. As at 30 June 2024, allowance for ECL on other financial assets at amortised cost amounted to approximately RMB39 million.

As at 30 June 2024, contract liabilities of the Group amounted to RMB42 million compared to RMB17 million as at 31 December 2023. The increase was mainly due to the increase in advances received from customers of the sales of water and beer products.

As at 30 June 2024, accruals and other payables of the Group amounted to RMB239 million compared to RMB161 million as at 31 December 2023. As at 30 June 2024, accruals and other payables mainly included salary payables and welfare payables amounting to RMB17 million, amounts received from a third party amounting to RMB16 million, loan from a third party amounting to RMB166 million and other payables amounting to RMB40 million.

As at 30 June 2024, the bank borrowings of the Group decreased by RMB60 million when compared to 31 December 2023, which was mainly because of the net repayment of principal of bank borrowings in the first half of 2024.

As at 30 June 2024, the liability component of the convertible bonds issued by the Company amounted to RMB82 million, compared to RMB321 million as at 31 December 2023. In June 2024, the Company issued the New Convertible Bonds with principal amount of approximately HKD90 million (equivalent to RMB82 million) bearing interest at the rate of 10% per annum. Further details of the New Convertible Bonds are set out in Note 14 to the condensed consolidated financial statements of this announcement.

EMPLOYEES

As at 30 June 2024, the total number of employees of the Group was 360 compared to 348 as at 30 June 2023. Relevant staff cost of the Group was RMB33 million in the first half of 2024 (the first half of 2023: RMB37 million).

The Company adopted a share award scheme in 2017. Up to 30 June 2024, no share has been granted by the Group to any parties under the share award scheme.

The Company adopted a new share option scheme in 2023. Up to 30 June 2024, no share option has been granted under the share option 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 30 June 2024 and 31 December 2023, the gearing ratios of the Group were 17.19% and 20.94%, respectively.

MERGER AND ACQUISITION

There was no merger and acquisition transaction in the first half of 2024.

SIGNIFICANT INVESTMENTS

In the first half of 2024, the Group acquired PP&E of RMB6 million (the first half of 2023: RMB5 million). Regarding the future development and outlook of the Group, please refer to the section headed “Outlook” in this “Management Discussion and Analysis” section.

CHARGES (OR PLEDGES)

As at 30 June 2024, (i) a bank loan with a remaining balance of RMB150 million of the Group was secured by the pledge of 35% of equity interest in Tibet Tiandi Green Beverage Development Co., Ltd, 7% of equity interest in Tibet Highland Natural Water Limited, and mineral water mining rights of the Group in Dangxiong; (ii) a bank loan with a remaining balance of RMB94.5 million of the Group was secured by the pledge of 20% of equity interest in Tibet Shannan Yalaxiangbu Industrial Ltd.; (iii) a bank loan with a remaining balance of RMB84 million of the Group was secured by the Group’s factory plant with net book value of RMB46 million and land use rights with net book value of RMB24 million; and (iv) a bank loan with a remaining balance of RMB38 million of the Group was secured by three production lines of the Group’s factory plant with net book value of RMB30 million.

As at 30 June 2024, the bank acceptance notes amounting to RMB110 million were guaranteed by bank deposits of RMB11 million.

CONTINGENT LIABILITIES

The Group provided financial guarantee net amounting to RMB230 million (31 December 2023: RMB245 million) to an associate as at 30 June 2024. As at 30 June 2024, the guarantee was provided for bank borrowings obtained by the associate in the net amount of RMB230 million. The period of the guarantee for bank borrowings in the net amount of RMB160 million is from 27 September 2023 to 27 September 2024. The period of the remaining bank borrowings guarantee amounting to RMB70 million is from 15 July 2021 to 15 July 2024.

FOREIGN EXCHANGE RISK

The Group adopts a conservative approach to cash management and risk control. The Group mainly operates in the PRC with most of its business transactions denominated in RMB. However, the Group is exposed to foreign exchange risk arising from its cash exchange transactions, which are primarily denominated in HKD. To mitigate the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. During the first half of 2024, 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 the first half of 2024, the expected annual water production capacity and annual beer production capacity are approximately 300,000 tonnes and 2,000,000 hectoliters respectively, same as in 2023. 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 PLACING OF NEW SHARES

On 21 February 2024, the Company completed the placing of new shares under general mandate. A total of 500,000,000 placing shares have been successfully placed to not less than six places at the placing price of HK\$0.218 per placing share. The use of net proceeds for this placing is for partial redemption of the 2021 Convertible Bonds and for general working capital of the Group. Further details were set out in the announcement of the Company dated 21 February 2024. As at 30 June 2024, the net proceeds of approximately HKD106 million had been fully utilized according to the intended use.

INTERIM DIVIDEND

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

OUTLOOK

The emergence of hot topics in the drinking water industry in the first half of this year has greatly increased consumers' attention to "drinking water classification" and "healthy drinking water", and brought extensive exposure to the whole industry. In the light of intense competition in the industry, we have not only alleviated the challenges and pressures faced by the water business in recent years, but also recovered sale volume and revenue and expect growth momentum by leveraging existing channels and tapping into the consumption potential through our deep brand heritage and market fundamentals.

In the future, we will unswervingly take the "5100" brand as the core of our strategy, adhere to the brand reputation, uphold the brand concept and enhance the brand value. On the basis of maintaining and upholding the existing high-quality sales channels, we will Accelerate the expansion of overseas markets, increase investment in production research and development, and strengthen product cost control. We will adhere to the dual-engine drive of water and beer, optimise the sales layout and enrich the product range. Through each bottle of our water and beer, we will convey the purity and beauty of Tibet to more consumers, provide more comprehensive drinking water solutions for more consumers, and enable more consumers to enjoy high-quality and healthy drinking water experience.

CORPORATE GOVERNANCE PRACTICES

For the first half of 2024, the Company has complied with the Corporate Governance Code as stated in Appendix C1 of the Listing Rules.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that each of them has complied with the Model Code for the first half of 2024. Specific employees who are likely to be in possession of inside information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance has been noted by the Company.

The Audit Committee, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group, and has reviewed the interim results for the first half of 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

For the first half of 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

PUBLICATION OF INTERIM REPORT

The 2024 interim report of the Company will set out, including but not limited to, all information disclosed in the interim results announcement for the first half of 2024 and will be uploaded on the websites of the Company (<http://www.twr1115.net>) and the Stock Exchange (<http://www.hkexnews.hk>) in due course.

By order of the Board
Tibet Water Resources Ltd.
Dr. Zhang Chunlong

Chairman and Independent Non-executive Director

Hong Kong, 30 August 2024

As of the date of this announcement, the executive Directors are Mr. CHOW Wai Kit, Mr. CHENG Gwan Sing and Mr. YUE Zhiqiang, the non-executive Directors are Ms. JIANG Xiaohong, Mr. XIE Kun and Mr. WEI Zheming and the independent non-executive Directors are Dr. ZHANG Chunlong (Chairman), Mr. LO Wai Hung and Ms. LIN Ting.