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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 2017**

FINANCIAL HIGHLIGHT	Six months ended 30 June		Change %
	2017 (Unaudited)	2016 (Unaudited)	
Revenue (RMB'000)	456,220	436,527	↑ 5%
Profit attributable to the owners of the Company (RMB'000)	160,669	156,897	↑ 2%
Earnings per share			
– Basic (RMB cents)	6.25	6.11	↑ 2%
– Diluted (RMB cents)	6.25	6.11	↑ 2%
Sales volume (Tonnes)	61,453	53,805	↑ 14%
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	
Total assets (RMB'000)	4,833,054	4,818,068	
Equity attributable to owners of the Company (RMB'000)	3,280,753	3,122,599	

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 2017. These interim results have been reviewed by the Company’s Audit Committee, comprising all of the independent non-executive Directors, one of whom chairs the committee, and the Company’s external auditor, PricewaterhouseCoopers.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 June 2017	Audited 31 December 2016
	Note	<i>RMB’000</i>	<i>RMB’000</i>
ASSETS			
Non-current assets			
Property, plant and equipment (“ PP&E ”)	7	614,867	619,387
Land use rights	7	30,336	30,693
Intangible assets	7	121,661	132,552
Goodwill	7	721,139	721,139
Investment in associates	8	1,317,801	1,307,508
Deferred income tax assets		3,079	2,818
Prepayments		54,406	65,476
Available-for-sale financial assets (“ AFS ”)		65,297	—
Total non-current assets		2,928,586	2,879,573
Current assets			
Trade receivables	9	170,198	193,926
Prepayments		131,994	190,147
Prepaid enterprise income tax		7,328	8,508
Other receivables and other assets	10	235,592	249,770
Inventories		72,813	67,516
Available-for-sale financial assets		112,523	186,230
Cash and cash equivalents		1,174,020	1,042,398
Total current assets		1,904,468	1,938,495
Total assets		4,833,054	4,818,068

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2017 <i>RMB'000</i>	Audited 31 December 2016 <i>RMB'000</i>
	Note		
EQUITY			
Equity attributable to owners of the Company			
Share capital		21,363	21,363
Share premium		1,206,829	1,206,829
Reserves		276,687	279,202
Retained earnings		1,775,874	1,615,205
		3,280,753	3,122,599
Non-controlling interests		394,874	371,965
Total equity		3,675,627	3,494,564
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	190,000	190,000
Convertible bond - liability component		446,668	458,066
Deferred revenue		23,889	24,241
Deferred income tax liabilities		19,869	20,652
Total non-current liabilities		680,426	692,959
Current liabilities			
Trade payables	11	71,840	78,055
Deferred revenue and advances received from customers		31,118	14,710
Enterprise income tax payable		28,574	28,210
Accruals and other payables		44,469	53,570
Bank borrowings	12	301,000	456,000
Total current liabilities		477,001	630,545
Total liabilities		1,157,427	1,323,504
Total equity and liabilities		4,833,054	4,818,068

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 June	
	Note	2017	2016
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	456,220	436,527
Cost of sales	14	(183,976)	(168,826)
Gross profit		<u>272,244</u>	<u>267,701</u>
Selling and distribution costs	14	(58,268)	(45,003)
Administrative expenses	14	(35,574)	(33,219)
Other gains, net	13	14,630	8,682
Operating profit		<u>193,032</u>	<u>198,161</u>
Finance income		12,268	8,250
Finance costs		(19,014)	(15,829)
Finance costs, net		<u>(6,746)</u>	<u>(7,579)</u>
Share of post-tax profit of associates	8	17,590	12,759
Profit before income tax		203,876	203,341
Income tax expense	15	(19,769)	(21,076)
Profit for the period		<u><u>184,107</u></u>	<u><u>182,265</u></u>
Profit attributable to:			
– Owners of the Company		160,669	156,897
– Non-controlling interests		23,438	25,368
		<u><u>184,107</u></u>	<u><u>182,265</u></u>
Earnings per share for profit attributable to the owners of the Company			
– Earnings per share (basic and diluted)			
(RMB cents per share)	16	<u><u>6.25</u></u>	<u><u>6.11</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	184,107	182,265
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Foreign currency translation differences	890	1,987
<i>Items that may be reclassified subsequently to profit or loss</i>		
Change in value of AFS	2,523	—
Deferred tax liabilities recognised against change in value of AFS	(227)	—
Transferred to other gains upon disposal of AFS	(6,230)	—
Other comprehensive (loss)/income for the period, net of tax	(3,044)	1,987
Total comprehensive income for the period	181,063	184,252
Attributable to:		
– Owners of the Company	158,154	158,884
– Non-controlling interests	22,909	25,368
Total comprehensive income for the period	181,063	184,252

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Company						
	Share	Share		Retained		Non-	Total
	capital	premium	Reserves	earnings	Total	controlling	equity
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2017	<u>21,363</u>	<u>1,206,829</u>	<u>279,202</u>	<u>1,615,205</u>	<u>3,122,599</u>	<u>371,965</u>	<u>3,494,564</u>
Profit for the period	—	—	—	160,669	160,669	23,438	184,107
Other comprehensive loss	—	—	(2,515)	—	(2,515)	(529)	(3,044)
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>(2,515)</u>	<u>160,669</u>	<u>158,154</u>	<u>22,909</u>	<u>181,063</u>
Balance at 30 June 2017	<u><u>21,363</u></u>	<u><u>1,206,829</u></u>	<u><u>276,687</u></u>	<u><u>1,775,874</u></u>	<u><u>3,280,753</u></u>	<u><u>394,874</u></u>	<u><u>3,675,627</u></u>
Balance at 1 January 2016	<u>21,363</u>	<u>1,206,829</u>	<u>235,269</u>	<u>1,414,344</u>	<u>2,877,805</u>	<u>319,202</u>	<u>3,197,007</u>
Profit for the period	—	—	—	156,897	156,897	25,368	182,265
Other comprehensive income	—	—	1,987	—	1,987	—	1,987
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>1,987</u>	<u>156,897</u>	<u>158,884</u>	<u>25,368</u>	<u>184,252</u>
Acquisition of a subsidiary	—	—	—	—	—	2,000	2,000
Convertible bond - equity component	—	—	18,203	—	18,203	—	18,203
Dividends relating to 2015 paid in June 2016	—	—	—	(87,825)	(87,825)	—	(87,825)
Balance at 30 June 2016	<u><u>21,363</u></u>	<u><u>1,206,829</u></u>	<u><u>255,459</u></u>	<u><u>1,483,416</u></u>	<u><u>2,967,067</u></u>	<u><u>346,570</u></u>	<u><u>3,313,637</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Cash generated from operations	289,711	214,655
Interest received	3,027	1,713
Income tax paid	(19,496)	(27,890)
	<hr/>	<hr/>
Net cash flows from operating activities	273,242	188,478
	<hr/>	<hr/>
Cash flows from investing activities		
Purchases of PP&E	(11,672)	(6,028)
Cash received from government grants related to fixed assets	—	4,860
Purchases of AFS	(320,600)	(230,000)
Proceeds from disposal of AFS	365,044	237,826
Loans granted to third parties	(202,456)	(472,664)
Payments of loans received from third parties	144,182	382,951
Amounts advanced to third parties	(110,450)	(200,000)
Payments received from third parties	117,491	200,000
Cash advances to a related party	—	(160,000)
Payments of cash advances received from a related party	—	130,000
Amounts advanced to a related party	—	(40,000)
Payment received from a related party	54,821	40,000
Investment in associates	—	(6,400)
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	36,360	(119,455)
	<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)**

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities		
Cash received from capital contributions by minority shareholders of a subsidiary	—	2,000
Repayments of bank borrowings	(277,647)	(60,023)
Dividends paid to shareholders	—	(87,825)
Proceeds from bank borrowings	116,000	286,000
Issue of convertible bond	—	448,718
Payment of interest for convertible bond	(13,669)	—
Net cash flows (used in)/from financing activities	(175,316)	588,870
Net increase in cash and cash equivalents	134,286	657,893
Cash and cash equivalents at beginning of period	1,042,398	628,132
Exchange losses	(2,664)	(1)
Cash and cash equivalents at end of period	<u>1,174,020</u>	<u>1,286,024</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands 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 principally engaged in production and sales of water products and beer products in the People's Republic of China (the "PRC").

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 interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

- (a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact to the Group.
- (b) Impact of standards issued but not yet applied by the Group

- (i) *IFRS 9 Financial instruments*

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group does not expect to adopt the new standard before 1 January 2018.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as AFS would appear to satisfy the conditions for classification as at fair value through other comprehensive income (“**FVOCI**”) and hence there will be no change to the accounting for these assets.

Accordingly the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new hedge accounting rules are not expected to have significant impact to the Group given that the Group does not have any hedging relationships.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group (continued)

(i) *IFRS 9 Financial instruments (continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“**ECL**”) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard. The Group will continue to make detailed assessments of the effect from the new standard.

(ii) *IFRS 15 Revenue from contracts with customers*

The International Accounting Standards Board (“**IASB**”) has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group’s financial statements and at this stage, the Group is not able to estimate the overall effect of the new rules on the Group’s financial statements. The Group will make more detailed assessments of the effect over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group (continued)

(iii) IFRS 16 Leasing

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2017, the Group has non-cancellable operating lease commitments of RMB3,360,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of the changes in estimates that are required in the impairment assessment for the investment in an associate - Tibet Highland Natural Water Limited ("**Highland Natural Water**").

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company that are used to make strategic decisions.

The Group has two business segments, being the production and sales of (1) water products, and (2) beer products.

The executive directors of the Company assess the performance of the operating segments based on review of their revenue, cost of sales and gross profit.

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

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

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors of the Company for the reportable segments as at and for the six months ended 30 June 2017 is as follows:

	Unaudited			
	Six months ended 30 June 2017			
	Water	Beer	Inter-segment	Group
	products	products	elimination	Group
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	275,510	183,891	(3,181)	456,220
Cost of sales	<u>(92,804)</u>	<u>(94,353)</u>	<u>3,181</u>	<u>(183,976)</u>
Gross profit for the period	<u>182,706</u>	<u>89,538</u>	<u>—</u>	<u>272,244</u>
Profit for the period	<u>117,141</u>	<u>66,966</u>	<u>—</u>	<u>184,107</u>
Depreciation and amortisation	<u>(11,746)</u>	<u>(26,618)</u>	<u>—</u>	<u>(38,364)</u>

5 SEGMENT INFORMATION (CONTINUED)

	Unaudited As at 30 June 2017		
	Water products <i>RMB'000</i>	Beer products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment total assets	2,540,343	2,156,769	4,697,112
Unallocated			
AFS			177,820
Deferred income tax assets			3,079
Corporate assets			388,932
Inter-segment elimination			<u>(433,889)</u>
Total assets			<u><u>4,833,054</u></u>
Segment total liabilities	717,784	398,794	1,116,578
Unallocated			
Deferred income tax liabilities			19,869
Corporate liabilities			454,869
Inter-segment elimination			<u>(433,889)</u>
Total liabilities			<u><u>1,157,427</u></u>
Other disclosure			
Investments accounted for using equity method	1,317,801	—	<u><u>1,317,801</u></u>

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors of the Company for the reportable segments as at and for the six months ended 30 June 2016 is as follows:

	Unaudited			
	Six months ended 30 June 2016			
	Water	Beer	Inter-segment	Group
	products	products	elimination	Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	237,497	199,300	(270)	436,527
Cost of sales	<u>(67,807)</u>	<u>(101,289)</u>	<u>270</u>	<u>(168,826)</u>
Gross profit for the period	<u>169,690</u>	<u>98,011</u>	<u>—</u>	<u>267,701</u>
Profit for the period	<u>110,054</u>	<u>72,211</u>	<u>—</u>	<u>182,265</u>
Depreciation and amortisation	<u>(11,280)</u>	<u>(26,749)</u>	<u>—</u>	<u>(38,029)</u>

5 SEGMENT INFORMATION (CONTINUED)

	Unaudited		
	As 30 June 2016		
	Water	Beer	Total
	products	products	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment total assets	2,175,111	2,107,772	4,282,883
Unallocated			
AFS			—
Deferred income tax assets			3,031
Corporate assets			558,190
Inter-segment elimination			<u>(397,412)</u>
Total assets			<u><u>4,446,692</u></u>
Segment total liabilities	683,823	380,187	1,064,010
Unallocated			
Deferred income tax liabilities			21,855
Corporate liabilities			443,299
Inter-segment elimination			<u>(396,109)</u>
Total liabilities			<u><u>1,133,055</u></u>
Other disclosure			
Investments accounted for using equity method	1,081,754	—	<u><u>1,081,754</u></u>

6 REVENUE

Revenue from external customers are derived from the sales of water products and beer products. The Group also sells bottle preforms and caps and leases a bottled water production line to an associate and generates revenue from those activities. Breakdown of the revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of water products	224,436	198,833
Sales of beer products	180,710	199,030
Sales of bottle preforms and caps	50,048	37,638
Rental of a bottled water production line	1,026	1,026
	<u>456,220</u>	<u>436,527</u>

Revenues from external customers of the Group were derived in the PRC for the six months ended 30 June 2017 and 2016.

7 PP&E, LAND USE RIGHTS, INTANGIBLE ASSETS AND GOODWILL

	Unaudited			
	PP&E	Land	Intangible	Goodwill
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening net book amount at 1 January 2017	619,387	30,693	132,552	721,139
Additions	22,596	—	—	—
Depreciation and amortisation (Note14)	(27,116)	(357)	(10,891)	—
Closing net book amount at 30 June 2017	<u>614,867</u>	<u>30,336</u>	<u>121,661</u>	<u>721,139</u>
Opening net book amount at 1 January 2016	655,505	31,417	154,638	721,139
Additions	6,171	—	—	—
Depreciation and amortisation (Note14)	(26,656)	(362)	(11,011)	—
Closing net book amount at 30 June 2016	<u>635,020</u>	<u>31,055</u>	<u>143,627</u>	<u>721,139</u>

As at 30 June 2017, buildings with net book value of RMB104,672,000 and land use rights with net book value of RMB30,258,000 were secured for bank borrowings with principal amounts of RMB66,000,000 and RMB200,000,000 (Note 12) (As at 31 December 2016, buildings with net book value of RMB107,022,000 and land use rights with net book value of RMB30,615,000 were secured for bank borrowings with principal amounts of RMB66,000,000 and RMB200,000,000).

8 INVESTMENT IN ASSOCIATES

	Six months ended 30 June 2017 <i>RMB'000</i> <i>Unaudited</i>
Beginning of the period	1,307,508
Transfer to AFS (a)	(7,297)
Share of post-tax profits of associates	17,590
End of the period	<u>1,317,801</u>

- (a) In January 2017, based on agreement among shareholders, Beijing GT Express Limited (北京貫通雲網有限公司, “GT Express”) modified its articles of association and the Group no longer has the right to appoint a director nor to participate in the operational decision making for GT Express. Accordingly, the Group lost significant influence in GT Express and such investment was reclassified from investment in an associate to AFS.

8 INVESTMENT IN ASSOCIATES (CONTINUED)

The Group's share of the results in a material associate - Highland Natural Water, and its aggregated assets and liabilities are shown below:

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Assets	869,465	803,755
Liabilities	518,670	510,259
	<u>518,670</u>	<u>510,259</u>
	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	254,520	206,866
Share of profit	18,608	13,464
Percentage held	40%	33%
	<u>40%</u>	<u>33%</u>

Management performed impairment analysis for the investment in Highland Natural Water. The recoverable amount of the investment is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a ten-year period when optimum market share is expected to be reached. Cash flows beyond the ten-year period are extrapolated using the estimated growth rates.

Based on the assessment, the executive directors of the Company are of the view that there was no impairment of investment in Highland Natural Water as at 30 June 2017 and 31 December 2016.

9 TRADE RECEIVABLES

As at 30 June 2017 and 31 December 2016, the Group's trade receivables were all denominated in RMB. The aging analysis of trade receivables based on invoice dates is as follows:

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Within 6 months	157,945	131,794
Over 6 months but within 1 year	6,470	2,699
Over 1 year but within 2 years	4,834	56,914
Over 2 years	987	4,514
	<u>170,236</u>	<u>195,921</u>
Less: Provision for impairment of trade receivables	<u>(38)</u>	<u>(1,995)</u>
	<u>170,198</u>	<u>193,926</u>

As at 30 June 2017, trade receivables amounting to RMB38,000 were impaired and provided for (2016: RMB1,995,000).

10 OTHER RECEIVABLES AND OTHER ASSETS

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Deposits	983	1,186
Government grant receivable (a)	15,289	30,810
Amounts due from third parties (b)	215,329	156,944
Amounts due from an associate	—	54,821
Receivable from disposal of AFS	—	1,711
Others	3,991	4,298
	<u>235,592</u>	<u>249,770</u>

10 OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

- (a) Government grant receivable represents government grant that has been approved by local government but not yet received by the Group. It is related to the domestic subsidiaries' fiscal contribution to the local economic development as a major tax payer and employer in Tibet during the last year.
- (b) The balances mainly include the following items:
- amounts due from a third party company of RMB70,394,000 (2016: nil), which represents lending principal of RMB68,750,000 (2016: nil) and accrued interest of RMB1,644,000 (2016: nil). The lending is at a fixed interest rate at 10% per annum and contractual maturity date on 16 March 2018, 1 April 2018, 10 April 2018, and 12 June 2018 for RMB33,000,000, RMB10,000,000, RMB17,000,000 and RMB8,750,000 respectively.
 - amounts due from another third party company of HKD136,848,000 (equivalent to RMB118,771,000, 2016: RMB116,716,000), which represents lending principal of HKD127,340,000 (equivalent to RMB110,518,000, 2016: RMB113,906,000) and accrued interest of HKD9,508,000 (equivalent to RMB8,253,000, 2016: RMB2,810,000). The lending is at a fixed interest rate at 10% per annum and contractual repayment dates are 21 July 2017, 1 September 2017 and 6 October 2017 for HKD3,600,000, HKD7,600,000 and HKD116,140,000 respectively. The amount due on 21 July 2017 was repaid by the counterparty subsequent to 30 June 2017.
 - amounts due from another third party company of HKD22,324,000 (equivalent to RMB19,362,000, 2016: RMB506,000), which represents the lending principal. The lending is at a fixed interest rate at 8% per annum and the contractual maturity date is 3 January 2018.

The Group's maximum exposure to credit risk at the balance sheet date is the carrying amounts of the receivables mentioned above. The Group does not hold any collateral as security.

11 TRADE PAYABLES

As at 30 June 2017 and 31 December 2016, the aging analysis of trade payables based on invoice dates is as follows:

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Within 3 months	47,115	51,903
Over 3 months but within 6 months	9,185	15,717
Over 6 months but within 1 year	5,649	4,354
Over 1 year but within 2 years	5,440	5,215
Over 2 years	4,451	866
	<u>71,840</u>	<u>78,055</u>

12 BANK BORROWINGS

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Non-current		
Long-term borrowing from a bank – Secured (a)	<u>190,000</u>	<u>190,000</u>
Current		
Current portion of long-term borrowing from a bank – Secured (a)	10,000	10,000
Current portion of long-term borrowings from banks – Guaranteed (b)	105,000	210,000
Short-term borrowing from a bank – Guaranteed and secured (c)	66,000	66,000
Short-term borrowings from banks – Guaranteed (d)	<u>120,000</u>	<u>170,000</u>
	<u>301,000</u>	<u>456,000</u>
Total borrowings	<u>491,000</u>	<u>646,000</u>

12 BANK BORROWINGS (CONTINUED)

The borrowings were all denominated in RMB as at 30 June 2017 and 31 December 2016.

- (a) The borrowing with principal amount of RMB200,000,000 was secured by the Group's factory plant with net book value of RMB70,526,000 (Note 7) and land use rights with net book value of RMB29,226,000 (Note 7). The interest rate was based on the directive interest rate announced by the People's Bank of China Lhasa Central Sub-branch, which was 2.75% per annum as at 30 June 2017. The tenure of the borrowing is from 2 November 2016 to 23 September 2018. According to the loan agreement, principal of RMB10,000,000 and RMB190,000,000 are required to be repaid in November 2017 and September 2018 respectively. Accordingly, borrowing amounting to RMB10,000,000 was recorded as current liability and borrowing amounting to RMB190,000,000 was recorded as non-current liability as at 30 June 2017.
- (b) The borrowing with principal amount of RMB120,000,000 was guaranteed by two subsidiaries of the Group. The interest rate was based on the directive interest rate announced by the People's Bank of China Lhasa Central Sub-branch, which was 2.75% per annum as at 30 June 2017. The tenure of the borrowing is from 18 January 2016 to 17 January 2018 and repayment terms are based on the following schedule: repayments of RMB5,000,000, RMB5,000,000, RMB5,000,000 and RMB105,000,000 on 18 June 2016, 18 December 2016, 18 June 2017 and 17 January 2018 respectively. The first three payments had been made by the Group based on the contractual terms. Due to certain terms of the borrowing agreement, the bank has the potential right to request for repayment of the loan before the contractual maturity dates. Accordingly, the outstanding borrowing amounting to RMB105,000,000 was recorded as current liability as at 30 June 2017.
- (c) The borrowing with principal amount of RMB66,000,000 was guaranteed by the Company and secured by the Group's factory plant with net book value of RMB34,146,000 (Note 7) and land use rights with net book value of RMB1,032,000 (Note 7). The borrowing bears fixed interest at 2.35% per annum and the tenure is from 16 June 2017 to 11 June 2018.

12 BANK BORROWINGS (CONTINUED)

(d) This includes the following borrowings from banks:

- (i) The borrowing with principal amount of RMB70,000,000 was guaranteed by the Company and a subsidiary of the Group. The borrowing bears fixed interest at 2.35% per annum and the tenure is from 10 November 2016 to 10 November 2017.
- (ii) The borrowing with principal amount of RMB50,000,000 was guaranteed by the Company. The loan is at fixed interest rate of 2.35% per annum. The tenure of the borrowing is from 20 January 2017 to 20 September 2017.

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Audited</i>
Fixed rate:		
– expiring within one year (bank loans)	180,000	130,000
– expiring beyond one year	—	34,000
	<u>180,000</u>	<u>164,000</u>

13 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	1,130	993
Gain on disposal of AFS (a)	13,333	7,826
Others	167	(137)
	<u>14,630</u>	<u>8,682</u>

13 OTHER GAINS, NET (CONTINUED)

- (a) The Group purchased financial products issued by a non-bank financial institution in the PRC. As these investments were not principal guaranteed, they were classified as AFS. These financial products matured within one year with variable return rates indexed to the performance of underlying assets. As at 30 June 2017, the Group disposed RMB350,000,000 (six months ended 30 June 2016: RMB230,000,000) of these investments and resulted in a gain of RMB13,333,000 (six months ended 30 June 2016: RMB7,826,000).

14 EXPENSES BY NATURE

Expenses including cost of sales, selling and distribution costs and administrative expenses were analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables used	139,845	125,200
Decrease in the balances of inventories of finished goods and work in progress	(6,428)	(1,239)
Transportation costs	35,156	20,246
Depreciation of PP&E (Note 7)	27,116	26,656
Amortisation of land use rights (Note 7)	357	362
Amortisation of intangible assets (Note 7)	10,891	11,011
Employee benefit expenses	35,282	31,696
Consulting and other service expenses	4,502	2,720
Advertising and marketing expenditure	10,266	11,398
City construction tax and education surcharge	8,336	6,155
Electricity and other utility expenses	6,039	6,604
Repair, maintenance and rental expenses	3,830	4,046
Others	2,626	2,193
	<u>277,818</u>	<u>247,048</u>

15 INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Company. Certain subsidiaries of the Group established under the International Business Companies Act of the British Virgin Islands are exempted from British Virgin Islands income taxes.

Certain subsidiaries of the Group incorporated in the PRC are subject to PRC enterprise income tax. Entities in the Tibet Autonomous Region of the PRC were entitled to preferential tax rate of 9% for the six months ended 30 June 2017 and 2016. The remaining entities are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2017 and 2016 as determined in accordance with the relevant PRC income tax rules and regulations.

	Unaudited	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	21,040	22,354
Deferred income tax	(1,271)	(1,278)
	<u>19,769</u>	<u>21,076</u>

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ending 31 December 2017 is about 9.7% (the estimated tax rate for the six months ended 30 June 2016 was 10.4%).

16 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for the six months ended 30 June 2017 and 2016 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	Unaudited	
	Six months ended 30 June	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	160,669	156,897
Weighted average number of shares in issue (thousands)	<u>2,568,893</u>	<u>2,568,893</u>
Basic earnings per share (RMB cents per share)	<u>6.25</u>	<u>6.11</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of potential ordinary shares: the convertible bond issued on 24 June 2016 and share options granted under a share option scheme on 16 December 2015. During the six months ended 30 June 2017, when the convertible bond is assumed to have converted into ordinary shares since 1 January 2017, the calculated diluted earnings per share is more than the basic earnings per share. As such, the convertible bond is determined to be anti-dilutive and not to be included in the calculation of the diluted earnings per share. For the share options, no shares would be issuable at the end of the contingency period based on management's estimation given none of the vesting conditions is expected to be met at the end of the vesting period. Accordingly, the potential ordinary shares under the share options are not included in the calculation of diluted earnings per share (six months ended 30 June 2016: no dilutive potential ordinary shares). With no dilutive potential ordinary shares, the diluted earnings per share is the same as the basic earnings per share for the Company for the six months ended 30 June 2017 and 2016.

17 DIVIDENDS

No dividend related to the year ended 31 December 2016 was paid during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB87,825,000 related to the year ended 31 December 2015 was paid). No dividend has been declared by the Company in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

18 SEASONALITY OF OPERATIONS

The sales of the Group for water products are subject to seasonal fluctuations while there is no obvious seasonality of operations for beer products. The peak demand period for water products is the second and third quarters of the year. This is due to the seasonal weather conditions.

In the financial year ended 31 December 2016, 63% of water products revenues accumulated in the second and third quarters of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, we continued our endeavors in supplying high quality products and providing premium services to our customers.

The Group has continued to increase its total revenue in the first half of 2017 by 5% and increased its profit attributable to owners of the Company in the first half of 2017 by 2%, in comparison with the first half of 2016, largely as a result of the increase in both revenue and profit from our water business segment.

Regarding the core business of our water business segment, sales volume and revenue of our water products in the first half of 2017 increased by 47% and 13%, respectively, in comparison with the first half of 2016. The Group's share of post-tax profits of Highland Natural Water were RMB19 million, increased by 38% in comparison with the first half of 2016.

Our water products have been sold throughout the Mainland China and Hong Kong, and retail distributors and institutional clients constituted our major customer base. As at 30 June 2017, in Mainland China, through our third party retail sales channel, the geographical coverage of our water products covered 107 cities, and the numbers of distributors and sales outlets were 247 and 9,137, respectively. In the first half of 2017, the revenue of our water products from institutional clients accounted for more than 50% of the total revenue of our water products.

Regarding our beer business segment, in the first half of 2017, sales volume and revenue of our beer products decreased by 9%, in comparison with the first half of 2016, largely due to the strong competition in the relatively limited market in the Tibet Autonomous Region (“**Tibet**”). The proportion of revenue of our beer products within and outside Tibet to the total revenue of our beer products remained at 98% and 2%, respectively.

FINANCIAL REVIEW

REVENUE

The total sales of the Group amounted to RMB456 million, representing an increase of RMB20 million or 5% in comparison with the first half of 2016.

The revenue generated from our water business segment was approximately RMB276 million, representing an increase of 16% in comparison with the first half of 2016, contributed by the increase of sales of water products and sales of bottle preforms and caps. Among the water products, revenue of our Tibet 5100 Glacial Spring Water (“**5100 Glacial Water**”) in the first half of 2017 increased by 5% in comparison with the first half of 2016; and revenue of our “Gesang Spring” products increased by 123% in comparison with the first half of 2016.

The revenue generated from our beer business segment was RMB181 million, representing a decrease of 9% in comparison with the first half of 2016.

SALES VOLUME

The total sales volume of the Group amounted to 61,453 tonnes (the first half of 2016: 53,805 tonnes), and consisted of 32,867 tonnes (the first half of 2016: 22,390 tonnes) from our water products and 28,586 tonnes (the first half of 2016: 31,415 tonnes) from our beer products.

The overall sales volume of our water products increased by 47% in comparison with that of the first half of 2016; sales volume of our 5100 Glacial Water in the first half of 2017 increased by 27% in comparison with the first half of 2016; and sales volume of our “Gesang Spring” products increased by 134% in comparison with the first half of 2016.

The sales volume of our beer products decreased by 9% in comparison with that of the first half of 2016.

AVERAGE SELLING PRICE

The average selling price fluctuated along with the change of products mix. The average selling price of our water products decreased by 23% from RMB8,880 per tonne in the first half of 2016 to RMB6,829 per tonne in the first half of 2017. The average selling price of our beer products remained stable from RMB6,336 per tonne in the first half of 2016 to RMB6,322 per tonne in the first half of 2017.

GROSS PROFIT MARGIN

The gross profit margin of the water business segment is 66%, in comparison with 71% in the first half of 2016, and such decrease was mainly attributable to the change in mix of the sales of products in the water business segment. The gross profit margin of the beer business segment is 49%, in line with the first half of 2016. The overall gross profit margin of the Group is 60%, and has remained stable in comparison with 61% in the first half of 2016.

SELLING AND DISTRIBUTION EXPENSE AND ADMINISTRATIVE EXPENSES

In the first half of 2017, the selling and distribution expense increased by 29% to RMB58 million from RMB45 million in the first half of 2016, mainly due to the increase in transportation costs as the sales volume of the water products increased and the increase in transportation service undertaken by the Group. The administrative expenses increased by approximately 9% from RMB33 million in the first half of 2016 to RMB36 million in the first half of 2017, in line with the growth and development of the business.

OTHER NET GAINS

Other net gains mainly included government grants and gain on disposal of AFS.

As our main production processes are carried out in Tibet, we enjoy relevant government grants from time to time. The government grants were of RMB1 million in the first half of 2017, which remained the same as in the first half of 2016. The amount of grants we are entitled to receive from the government of Tibet is mainly calculated with reference to our fiscal contribution to the local economic development as a major tax payer and employer in Tibet. Grants from the government are recognized where there is a reasonable assurance that they will be received and the Group will comply with all associated conditions. According to the latest policies implemented by the Tibet government, we received the government grants in the first half of 2017 and will continue to receive them in future.

In the first half of 2017, the gain on disposal of AFS increased by approximately 63% from RMB8 million in the first half of 2016 to RMB13 million, as more available-for-sale structured financial products were bought and disposed of in the first half of 2017.

SHARE OF POST-TAX PROFITS OF ASSOCIATES

The share of post-tax profits of associates mainly included the share of post-tax profit of Highland Natural Water whose ultimate controlling shareholder is China Petrochemical Corporation (“**Sinopec**”). In the first half of 2017, the Group’s 40% equity interests in Highland Natural Water has generated a share of the post-tax profits of an associate at the amount of RMB19 million, an increase of 38% in comparison with the first half of 2016.

The sales volume and revenue in respect of Highland Natural Water in the first half of 2017 were approximately 108,791 tonnes and RMB255 million, respectively, representing an increase of 45% and 23%, respectively, compared to those in the first half of 2016. Such increase was a result of Highland Natural Water’s major water product, “Easy Joy • Zhuoma Spring”, which has increased its popularity and sales at Easy Joy convenience stores at Sinopec gas stations throughout China.

FINANCE NET COSTS

In the first half of 2017, the Group incurred finance costs of RMB19 million and gained finance income of RMB12 million. Compared to the first half of 2016, finance costs in the first half of 2017 increased by RMB3 million, mainly due to (i) the increase of RMB16 million in interest costs on convertible bond, and (ii) the increase of RMB1 million interest costs on borrowings from banks, which were offset by (i) the decrease of RMB6 million in exchange loss, and (ii) the fair value loss of RMB8 million in the first half of 2016. The fair value loss of RMB8 million represented the difference in fair values on the convertible bond between the commitment date and the issuance date and was an one-off loss with no cash implication in the first half of 2016. Finance income increased by RMB4 million mainly due to the increase in interest-bearing loans to third parties.

INCOME TAX EXPENSE

The income tax expense decreased by RMB1 million or approximately 5% from RMB21 million in the first half of 2016 to RMB20 million in the first half of 2017. The effective tax rate in the first half of 2017 remained at 10% in comparison with the first half of 2016.

PROFIT FOR THE HALF YEAR

The profit for the half year increased by RMB2 million or 1% from RMB182 million in the first half of 2016 to RMB184 million in the first half of 2017. The result of the first half of 2017 has improved mainly resulting from the increase in gross profit, offset partly by the increase in selling and distribution expenses and administrative expenses as mentioned above.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company increased by RMB4 million from RMB157 million in the first half of 2016 to RMB161 million in the first half of 2017, which was in line with the increase in profit for the half year as described above.

FINANCIAL POSITION

As at 30 June 2017, net trade receivables of the Group amounted to RMB170 million compared to RMB194 million as at 31 December 2016. Up to the date of this announcement, RMB99 million had been further collected, resulting in further reduction in our trade receivables.

The Group maintains regular contact with our major debtors through meetings and telephone conversations to understand the status of their operations, their continuing business needs and the ways in which the Group can improve its services. During such meetings and conversations, the Group is not aware of any material circumstances indicating any problem in recovering its trade receivables from its major debtors. In the first half of 2017, the Group did not recognize any additional provision for impairment loss of trade receivables and wrote off RMB2 million provision recognised in prior year (the first half of 2016: no provision and no write off).

As at 30 June 2017, prepayments (including current and non-current) of the Group decreased to RMB186 million from RMB256 million as at 31 December 2016. The decrease was mainly attributable to the decrease of RMB53 million of prepayment made for purchase of raw materials, services and equipment and the decrease of RMB17 million of prepayment for investment in a third party.

As at 30 June 2017, other receivables and other assets of the Group amounted to RMB236 million compared to RMB250 million as at 31 December 2016. Among other receivables as at 30 June 2017, the amounts due from third parties amounted to RMB215 million, and up to the date of this announcement, RMB210 million had been further collected from the third parties, resulting in further reduction in our other receivables.

As at 30 June 2017, cash and cash equivalents of the Group increased by RMB132 million, which was mainly attributable to the cash inflows from operating activities of RMB273 million, cash inflows for investing activities of RMB36 million, cash outflows from financing activities of RMB175 million and exchange loss of RMB3 million. The cash inflows for investing activities of RMB36 million in the first half of 2017 mainly included the net cash inflows for purchases and disposal of AFS of RMB44 million, net cash inflows for amounts

advanced to and payments received from third parties and a related party of RMB62 million, offset by the purchase of PP&E of RMB12 million and net cash outflows for loan granted to third parties of RMB58 million. The cash outflows from financing activities of RMB175 million in the first half of 2017 mainly included net cash outflows from bank borrowings of RMB162 million and payment of interest for convertible bond of RMB14 million.

As at 30 June 2017, accrual and other payables of the Group decreased by RMB9 million, which was mainly attributable to the decrease in staff costs and welfare payables of RMB5 million and decrease in payables for value added tax and other taxes of RMB5 million, offset by the increase in accrued operating expense of RMB1 million.

As at 30 June 2017, the current bank borrowings of the Group decreased by RMB155 million, which was mainly attributable to bank borrowings received which principal amounted to RMB116 million and repayment of bank borrowings which principal amounted to RMB271 million in the first half of 2017.

EMPLOYEES

As at 30 June 2017, the total number of employees of the Group was approximately 460 compared to 420 as at 30 June 2016. Relevant staff cost was RMB35 million in the first half of 2017, compared to RMB32 million in the first half of 2016. The increase in staff cost was mainly attributable to the increase in the number of employees during the first half of 2017.

The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

GEARING RATIO

The gearing ratio is calculated as borrowings (including borrowings and convertible bond) divided by total capital. The total capital is calculated as "equity" as shown in the consolidated balance sheet plus borrowings (including borrowings and convertible bond). As at 30 June 2017 and 31 December 2016, the gearing ratios of the Group were 20.33% and 24.01%, respectively.

SHARE-BASED PAYMENTS

On 16 December 2015, the Company granted share options to China Distribution and Logistics Company Ltd. (“**China Distribution**”; an independent customer). Under the agreement, China Distribution has the right to subscribe up to 25,200,000 ordinary shares of the Company at a price of HKD3.00 per share within 10 years from 1 January 2016, if certain performance conditions are met by China Distribution during the vesting period from 1 January 2016 to 31 December 2018. If these options are exercised, the shares subscribed will account for approximately 1% of the total number of ordinary shares of the Company. As at 30 June 2017, the management assessed the possibility for China Distribution to meet the vesting conditions within the three-year period from 1 January 2016 and concluded that none of the vesting conditions could be met within the three-year period. Accordingly, no reduction of revenue relating to the sales incentive under the share option scheme was recorded during the six months ended 30 June 2017 (the first half of 2016: nil).

MERGER AND ACQUISITION

There was no merger and acquisition transaction in the first half of 2017.

SIGNIFICANT INVESTMENTS

In the first half of 2017, the Group invested RMB58 million in China Railway Express Co., Ltd., representing 0.48% of its total equity. Furthermore, the Group acquired PP&E of approximately RMB23 million (the first half of 2016: approximately RMB6 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 30 June 2017, the Group committed to purchase PP&E of approximately RMB116 million (31 December 2016: RMB113 million), and equity investment of RMB13 million (31 December 2016: RMB54 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

As at 30 June 2017, a bank loan of RMB200 million (31 December 2016: RMB200 million) of the Group was secured by its factory plant with net book value of RMB71 million (31 December 2016: RMB72 million) and land use rights with net book value of RMB29 million (31 December 2016: RMB30 million); and a bank loan of RMB66 million (31 December 2016: RMB66 million) of the Group was secured by its factory plant with net book value of RMB34 million (31 December 2016: RMB35 million) and land use rights with net book value of RMB1 million (31 December 2016: RMB1 million). As at 30 June 2017 and 31 December 2016, the convertible bond was secured by the entire issued shares of Wealth Keeper Limited, a wholly-owned subsidiary of the Group.

CONTINGENT LIABILITIES

The Group provided a financial guarantee to an associate amounting to RMB260 million as at 30 June 2017 (31 December 2016: RMB260 million). The guarantee is provided for bank borrowings obtained by the associate with the remaining balance of RMB240 million as at 30 June 2017 (31 December 2016: RMB240 million), and the period of the guarantee is from 20 July 2015 to 20 July 2017.

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 2017, management 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, is not significant.

VALUATION OF PROPERTIES

For the purpose of listing of the Company's shares on the Main Board of the Stock Exchange on 30 June 2011, a valuation was conducted on the property interests held by the Group. However, those property interests were still carried at historical costs less accumulated depreciation and impairment, if any, on the Group's consolidated financial statements.

With reference to the property valuation set out in Note 4 of Appendix II-A of the Company's prospectus dated 20 June 2011, a revaluation surplus of approximately RMB3,947,000 was identified in respect of the property interests of the Group as at 31 March 2011. If the property of the Group were stated at that valuation, the depreciation charge per annum would increase by approximately RMB130,000.

PRODUCTION CAPACITY

The expected annual water production capacity and annual beer production capacity for the year ending 31 December 2017 are approximately 300,000 tonnes and 200,000 tonnes, respectively (for the year ended 31 December 2016: approximately 300,000 tonnes and 200,000 tonnes, respectively), and the Group will assess the production capacity periodically and consider to increase 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 and has been partially utilized in the following manner:

	As at	As at
	30 June 2017	30 June 2017
Revised usage	Utilized net	Unutilized net
of net proceeds	proceeds	proceeds
<i>HKD'Million</i>	<i>HKD'Million</i>	<i>HKD'Million</i>
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	133	133
Expand our distribution network and towards promotional activities	206	23
Mergers and acquisitions that complement our existing business	1,092	1,092
Working capital and other general corporate purpose	41	41
	<u>1,472</u>	<u>1,289</u>
	<u>1,472</u>	<u>183</u>

In the first half of 2017, the Group has utilized net proceeds amounting to HKD3 million for expanding our distribution network and towards promotional activities. The remaining net proceeds were deposited in reputable financial institutions.

INTERIM DIVIDENDS

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

OUTLOOK

Consumer awareness and recognition of the Group's premium and high quality products are expected to further increase as a result of the increase of the Group's promotional activities.

The Group will continue its diversification strategy on product portfolio, market-oriented business strategy, internationalization strategy and further enhance strategic channel cooperation in future along with continuing brand development through a range of marketing activities.

The Group will target to further develop the premium brand of "5100 Glacial Water" and the high quality brand of "Gesang Spring" to expand market share in both offline retail network and online e-commerce platforms through strong retail distributors. In addition, the Group will continue to promote its premium "Diamond Series" products to expand the targeted retail channels such as hotels, cinemas, airports, and healthcare and entertainment venues in mainland China. Furthermore, these premium product series will be further promoted to penetrate into markets beyond the mainland China. The Group's 10L/12L "5100 Family Soft Barreled Water" has established a strong brand reputation with families and offices, and such markets were identified by the Group as potential markets, into which the Group will devote more resources for further development.

The Group has maintained and developed strategic partnerships to achieve improvement in both sales and marketing. In order to develop the sales of our water products, we will continue to optimize allocated resources with our strategic partners and to further increase our market share in the airline beverage sector with our airline partners. We will further explore opportunities with Sinopec and China National Petroleum Corporation to cover more petrol stations. In addition, the Group will continue to develop more institutional clients to expand the market share and diversify its sales channels.

Up to 30 June 2017, our premium beer products “Tibet Highland Barley Beer” were sold mainly in Tibet mostly through retail channels including supermarkets, convenient stores, restaurants and entertainment outlets. The Group plans to develop strategic partnerships in the near future to penetrate into beer markets outside Tibet.

While continuing to implement the above mentioned strategies and actively strengthen the integration of our existing resources in both our water business segment and beer business segment, and to generate further synergy between the water business and the beer business, the Group will continue to look for products that reflect the Tibet characteristics of the Group and new projects to develop beverage products with Chinese characteristics for diversification of our business and products.

To reflect the Group’s priority towards the numerous ongoing projects, the Group will continue to give high priority to strengthen its human resources both qualitatively and quantitatively.

The Group expects that it will continue to face strong competition and a challenging economic environment, but will continue to focus on improving our core business.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2017, the Company has complied with the code provisions as set out in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and each of the Directors have confirmed that they have complied with the Model Code for the six months ended 30 June 2017. Specific employees who are likely to be in possession of inside information 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 of the Company, 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 six months ended 30 June 2017. The Company’s external auditor, PricewaterhouseCoopers, has performed a review of the Group’s interim financial information for the six months ended 30 June 2017 in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed

by the Independent Auditor of the Entity”. Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information was not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim financial reporting”.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the interim report 2017 of the Company will set out, including but not limited to, all information disclosed in the interim results announcement for the six months ended 30 June 2017 and will be despatched to the shareholders and 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.

Jesper Bjoern MADSEN

Chairman and Independent Non-executive Director

Hong Kong, 18 August 2017

As of the date of this announcement, the executive Directors are Mr. WANG Dong (Chief Executive Officer), Mr. YUE Zhiqiang, Mr. LIU Chen, Mr. WONG Hak Kun and Ms. HAN Linyou, the non-executive Director is Ms. JIANG Xiaohong, the independent non-executive Directors are Mr. Jesper Bjoern MADSEN (Chairman), Mr. LEE Conway Kong Wai and Mr. Kevin Cheng WEI.