



Tibet 5100 Water Resources Holdings Ltd. 西藏 5100 水資源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1115

INTERIM REPORT 2011



TIBET WATER

TIBET SPRING
西藏冰川矿泉水
5100

WORLD WATER



WATER FROM THE ROOF OF THE WORLD A TASTE OF THE TIBETAN HOLY LAND

*The majestic Nianqing Donggula Mountains in Tibet
store the very essence of its prehistoric glaciers.*

*From here streams Tibet Spring 5100,
a rare and natural source of water with unique molecular properties.*

*Flowing underground at 5100 metres, this Tibetan water
is pollutant-free, balanced and mineralized.*

*Its esoteric mineral qualities make it undoubtedly
one of its kind in the world.*



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We produce a leading brand in the fast-growing premium bottled mineral water market in China. Our brand “5100 Tibet Glacier Spring Water” ranked first in terms of sales volume in 2010. We have positioned our “5100” brand as a premium brand by emphasizing the uniqueness and purity of our glacial spring mineral water, which is sourced from a unique glacial spring at 5,100 meters above sea level. Our product contains only glacial spring mineral water collected and bottled in close proximity to the water source at the Nianqing Donggula Mountains in Tibet, one of the world’s most remote and pristine locations, which is deep inside the mountain range without easily accessible transportation. In addition, our water source is a natural spring, where water comes to the surface from deep underground. These factors provide our water source with natural protection against contamination and pollution.

The mineral and microelement content of “5100 Tibet Glacier Spring Water” meets both the PRC New National Standard and European Union standards for natural mineral water and our production process is designed to preserve the natural qualities of our water source. Since 2007, our water source was the only water source in Tibet that was recognized by the Natural Spring Mineral Water Committee of China Mining Confederation as one of “China’s High Quality Mineral Water Sources”. We adhere to a strict quality control system in every stage of our operation process, from the sourcing of the water to processing, packaging, transportation and storage, with a view to ensuring the highest

The logo for 5100 Tibet Glacier Spring Water, featuring the number '5100' in a stylized, bold font with a blue and white color scheme.



“Top 10 of Natural Mineral Water Industry”

by China Beverage Industry Association.

quality standards. In 2007, our “5100” brand won the Brand China Gold Spectrum Award in the China Brand Festival. In 2011, we were awarded “Top 10 of Natural Mineral Water Industry” by China Beverage Industry Association.

We established our leading market position by executing a growth strategy that focuses on penetrating institutional sales channels, an approach which distinguishes us from our competitors. We have established a long-term strategic relationship with China Railway Express Co., Ltd. (“CRE”). In addition, we have entered into sales agreements with Air China Limited (“Air China”), BP-PetroChina Fuels JV (“BP”) and China Post Group Corporation (“China Post”), and strategic cooperative agreements with CCB International (Holdings) Limited and ICBC International Holdings Limited.

We believe our success in executing this strategy has helped us to rapidly gain market share, brand recognition and secure numerous blue-chip institutional purchasers under long-term contracts. We believe that a combination of our current leading market position, established brand, strong existing institutional relationships and ability to develop additional institutional relationships positions us well to capitalize on the fast-growing premium bottled mineral water market in China.

	Six months ended 30 June		
	2011 (Unaudited)	2010 (Unaudited)	Change %
Revenue (RMB'000)	209,265	138,397	51 ↑
Profit attributable to the equity holders of the Company (RMB'000)	148,176	44,644	232 ↑
Earnings per share			
– Basic (RMB cents)	7.2520	2.1877	231 ↑
– Diluted (RMB cents)	7.2517	2.1877	231 ↑
Sales volume (Tonnes)	28,215	31,405	10 ↓
Gross profit margin	79%	61%	30 ↑
	At 30 June 2011 (Unaudited)	At 31 December 2010 (Audited)	
Total assets (RMB'000)	1,684,327	459,886	
Equity attributable to equity holders of the Company (RMB'000)	1,490,528	283,091	

Revenue (RMB million)

Profit attributable to the equity holders of the Company
(RMB million)

Earnings per share-basic (RMB cents)



Sales volume (Tonnes)



Gross profit margin (%)



2011 FIRST HALF YEAR REVIEW

During the first half year of 2011, we continued our endeavors in supplying high quality products and premium services to our clients, and the operating performance of the Group was further enhanced. The Board of Directors is pleased to announce that the revenue generated by the Group for the first half of 2011 was RMB209 million, increased by 51% as compared to the first half of 2010. Net profit of the Group was RMB148 million, increased by 232% as compared to the corresponding period of 2010.

We emphasized on the following four aspects in expanding the high-end mineral water business of the Group: (1) the strengthening of our traditional advantages, continuous development of new institutional clients and endeavors to increase the sales volume from institutional clients; (2) the accelerated expansion of retail channels, endeavors to increase in the number of distributors, cities and outlets and increasing the sales capacity of each outlet; (3) the increase of advertising and promotional activities and branding publicity; and (4) the improvement to productivity and quality control management.

We shall continue to develop new institutional clients, improve the sales volume of existing institutional clients, such that institutional client base will be more diverse, reducing the Group's dependence on individual clients.

We have introduced new clients such as BP, China Mobile Limited ("China Mobile"), China Petroleum & Chemical Corporation Limited ("Sinopec") and government bodies in various places. The Group, through distributors, has entered into co-operation agreements with BP pursuant to which our products would be sold and promoted in all convenient stores at BP petrol stations in the entire Guangdong area. Currently, our products are available at almost all convenient stores at BP petrol stations in the entire Guangdong area, totalling approximately 466 stores. BP has introduced "Petrol Refill with Gifts" events at its petrol stations. Customers who refill a certain amount of petrol at BP petrol stations can redeem a certain amount of our Group's products.

Year 2011 marked the 60th anniversary of the peaceful liberation of Tibet. We have taken this opportunity to launch series of promotional activities, resulting in an increase in sales volume and gaining a number of institutional clients from government departments.

We continued to endeavor to increase sales to existing institutional clients. Sales cooperation between us and China Post extended from Beijing to Tianjin and Hunan, with almost 600 cooperative outlets. We and Beijing Post jointly launched the 「湧泉相報」 commemorative stamp album to commemorate the 60th anniversary of the peaceful liberation of Tibet. The stamp album embodied a set of all commemorative stamps about Tibet issued by China since its establishment, complemented with one 5100 water card commemorating the 60th anniversary of the peaceful liberation of Tibet. The bundled sales of water cards as etiquette products with internal postal stamp products was the first of its kind in the history of postal stamp sales. In addition, we also further expanded our co-operation with Air China. Besides, to provide exclusively to first class and business class passengers and those in the VIP rooms, the Group's products are now also provided to economy class passengers. Our products are now supplied to the passengers of, and the Air China networks operating by Air China's subsidiaries, including Air China Beijing, Air China Shanghai, Air China Zhejiang, Air China Hubei, Air China Tianjin, Air China Inner Mongolia, Air China Chengdu and Air China Chongqing.

In the first half of 2011, our retail business also recorded significant development. The scope of sales was extended from 29 cities at the end of 2010 to 33 cities. Dealers increased from 90 at the end of 2010 to 101 and sales web sites increased from 2,875 at the end of 2010 to 3,287. We stepped up efforts in promoting retail sales channels and implemented 2,086 sessions of the 「心靈渴了去西藏」 special promotional events and 5,449 sessions of routine promotional events, totaling 7,535 sessions of off-line promotional events within retail sales channels, covering channels such as shopping arcade, supermarket, marketplace, guest house, catering and amusement place.

With respect to advertising, publicity and branding, in the first half of 2011, we continued to be the designated drinking water for the meetings of the National People's Congress and the China People's Political Consultative Conference ("Two Conferences") in 2011. We also sponsored a series of commercial activities such as: 「2011手挽手·全民公益新春晚會」, 「一路有你」 charity banquet, Auto Shanghai 2011, 「同心·共鑄中國心2011西藏行」 and 「滙豐青少年高爾夫系列賽」, etc.

In the first half of 2011, we completed the assembly and initial debugging of the fourth production line which was expected to start production in the second half year.

In response to increasing public concern about food safety issues, the Group entered into long-term strategic partnership agreements with two authoritative quality inspection institutions – the Chinese Academy of Inspection and

Quarantine and the Tibet Entry-Exit Inspection and Quarantine Bureau. The Chinese Academy of Inspection and Quarantine and the Tibet Entry-Exit Inspection and Quarantine Bureau would conduct full tests and monitor the production process of 5100 Tibet Glacier Mineral Water to ensure the 5100 brand provides products of good quality to the community.

In the first half of 2011, the Group was awarded the title of "Top 10 of Natural Mineral Water Industry" by the China Beverage Industry Association. This "Top 10 of Natural Mineral Water Industry" was evaluated primarily based on the assessment scores of enterprise operating results, product quality and enterprise reputation and specialists from the relevant government authorities, industry associations and news media were involved in conducting assessments and reviews before confirming and promulgating the reviews of the awards. This was the first time the China Beverage Industry Association awarded such honour.



Apart from striving for better operating performance, the Group, being a socially responsible group continued to serve and care about the society. On 26 April, the 「善行天下·慈善大典」 jointly organized by the China Association of Social Workers, China Philanthropy Times (公益時報社) and the Red Cross Society of China was held in Beijing, and the event revealed the 2011 China Charity List. The Company was awarded the title of “Top 10 Corporate Philanthropies of the Year”.

The Group entered into a new cooperation agreement with CRE on 15 July 2011. This replacement cooperation agreement superseded the cooperation agreement with CRE that was previously entered into. Pursuant to the replacement cooperation agreement, CRE agreed to purchase 50,000 tonnes of bottled mineral water from the Group each year and waived the obligation of donating water on a “buy-one-get-one-free” basis of the Group under the original cooperation agreement. The replacement cooperation agreement had a retrospective effect, with the term commencing from 1 January 2011 until 31 December 2013. Given the revised arrangement as contained in the replacement cooperation agreement, the Group anticipates the Group's overall gross profit margin and net profit will increase and the total volume of bottled mineral water provided to CRE will decrease.

OUTLOOK

With increasing urban population and urban disposable income in China, growing health awareness among consumers, as well as rising demand for high-end branded products and luxurious goods, the premium bottled mineral water market in China will continue to grow rapidly. In addition, being one of the major enterprises in Tibet and an employer of ethnic Tibetans, we expect to gain continued support in various aspects from the local government in the Tibet Autonomous Region.

For the above reasons, the Group will cherish our natural gift of water resources and strive to expand our distribution network, including channels for group purchases and water card sales, in order to enhance our brand awareness and become a global leading brand of premium bottled water.

Our directors are extremely confident in the Group's business development. By leveraging on our prudent financial policy and expansion strategies, together with our well-experienced and excellent management team, the Group is committed to utilize existing resources effectively and will endeavor to increase investment return for shareholders.

GRATITUDE

I would like to take this opportunity to express our gratitude towards all the directors, members of the management and all our staff for their diligent work in the past and their contribution to the development of the Group. I would also like to express our gratitude towards all the shareholders, acquaintances and business partners in the banking and investment sectors for their full confidence in our Group and powerful support thus far.

Yu Yiping, Wallace

Chairman

The logo for Tibet 5100 Water Resources Holdings Ltd., featuring the number '5100' in a stylized, handwritten font.

将爱情进行到底
ETERNAL MOMENT

2011年情人节 等你爱她

邂逅5100
将爱情进行到底

给你2011, 5100陪你一起, 将爱情进行到底, 即日起凡观看李亚鹏和徐静蕾主演的《将爱情进行到底》, 凭电影票即可参加以下活动

西藏好水 5100 世界好水

TIBET SPRING
5100 世界好水

西藏好水

去西藏

心灵渴了

5100 600

为了更方便快捷地送到5100西藏好水, 我们特推出这种, 请拨打全国第一家客服电话: 400-810-5100



STYLISH PROMOTIONAL PROGRAMMES WITH WIDE COVERAGE AND BRANDING IMPROVEMENT



BUSINESS OVERVIEW

During the first half year of 2011, we continued our endeavors in supplying high quality products and premium services to our clients, and the operating performance of the Group was further enhanced.

We emphasized on the following four aspects in expanding the high-end mineral water business of the Group: (1) the strengthen of our traditional advantages, continuous development of new institutional clients and endeavors to increase the sales volume from institutional clients; (2) the accelerated expansion of retail channels, endeavors to increase the number of distributors, cities and outlets and increasing the sales capacity of each outlet; (3) the increase of advertising and promotional activities and branding publicity; and (4) the improvement of productivity and quality control management.

We shall continue to develop new institutional clients, improve the sales volume of existing institutional clients, such that institutional client base will be more diverse, reducing the Group's dependence on individual clients.

FINANCIAL OVERVIEW

In the first half of 2011, total sales of the Group amounted to RMB209 million, representing 51% increase from the total sales of RMB138 million recorded in the first half of 2010.

By continuing to optimize the structure of our client base, and with our obligations under the "buy-one-get-one-free" arrangement waived by CRE (Please refer to note 19(b) of the notes to the unaudited condensed consolidated interim financial information as set out in this report and our announcement dated 15 July 2011 for further details), the Group successfully increased its gross profit margin to 79% in the first half of 2011 from 61% in the same period last year.

REVENUE

In the first half of 2011, total sales of the Group amounted to RMB209 million, representing an increase of RMB71 million compared to the revenue of RMB138 million in the same period last year, while in the first half of 2011, the sales to CRE amounted to 33% of our total sales, representing a decrease of 43% from 76% recorded in the first half of 2010.

In the first half of 2011, the average selling price of the Group's products increased significantly from RMB4,407 per tonne to RMB7,417 per tonne from the same period last year. Despite the 10% drop in total sales volume compared to the same period last year, the total revenue of the Group in the first half of 2011 increased by 51% compared to the same period last year because of the increase in average selling price. The increase in the average selling price was mainly attributed to the waiving of the Group's obligations under the "buy-one-get-one-free" arrangement by CRE and also due to the sales growth originated from institutional clients and traditional retail operation channels (owned by third parties).

SALES VOLUME

In the first half of 2011, total sales volume amounted to 28,215 tonnes, representing a decrease of 10% compared with 31,405 tonnes in the same period last year. The decrease in the total sales volume was primarily attributed to the decrease in the total volume of bottled mineral water supplied by the Group to CRE in the first half of 2011, which was due to the waiving of the obligation of the Group under the “buy-one-get-one-free” arrangement by CRE. As a result, the bottled mineral water supplied to CRE decreased by 16,428 tonnes from 27,191 tonnes in the first half of 2010 to 10,763 tonnes in the first half of 2011.

During the first half of 2011, the Group entered into sales agreements with institutional clients such as local governments, Air China, BP, etc., which contributed to a significant sales growth from non-CRE channels. In the first half of 2011, total sales volume generated from other institutional clients channels and traditional retail operation channels (owned by third parties) increased by 13,238 tonnes to 17,452 tonnes from 4,214 tonnes in the first half of 2010, representing a growth of 314%.

Year 2011 marked the 60th anniversary of the peaceful liberation of Tibet. We have taken this opportunity to launch series of promotional activities, resulting an increase in the sales volume and gaining a number of institutional clients from government departments.

We also further expanded our co-operation with Air China. In addition to provide exclusively to first class and business class passengers and those in the VIP rooms, the Group's products are now also provided to economy class passengers. Our products are now supplied to the passengers of, and the Air China networks operating by Air China's subsidiaries, including Air China Beijing, Air China Shanghai, Air China Zhejiang, Air China Hubei, Air China Tianjin, Air China Inner Mongolia, Air China Chengdu and Air China Chongqing.

The Group, through distributors, has entered into co-operation agreements with BP pursuant to which our products would be sold and promoted in all convenient stores at BP petrol stations in the entire Guangdong area. Currently, our products are available at almost all convenient stores at BP petrol stations in the entire Guangdong area, totalling approximately 466 stores. BP has introduced “Petrol Refill with Gifts” events at its petrol stations. Customers who refill a certain amount of petrol at BP petrol stations can redeem a certain amount of our Group's products.

OTHER NET GAINS

Other net gains as a percentage of revenue increased to 31.5% from 1.6% in the same period last year. Other net gains increased by RMB64 million from RMB2 million in the first half of 2010 to RMB66 million, representing an increase of 29 times compared to the same period last year. This increase was primarily attributed to the government grants amounting to RMB65 million for the first half of 2011.

As our main production processes are carried in the Tibet Autonomous Region, we enjoy the relevant government grants from time to time. The amount of grants we received from the government of the Tibet Autonomous Region was made largely with reference to our fiscal contribution to local economic development.

Tibet Glacier Mineral Water Marketing Co. Ltd. (“Glacier Marketing”), our indirect wholly-owned subsidiary established in the Tibet Lhasa Economic and Technology Development Zone entered into the Governmental Grant Agreement in May 2010, under which Glacier Marketing was granted an enterprise development fund, which are calculated with reference to Glacier Marketing’s fiscal contribution to the local government in Tibet. Based on the relevant rules in Tibet, enterprises that operate in Tibet and make fiscal contributions to the local government are eligible for applying for such governmental grants. Subject to the approval by the local government, Glacier Marketing may renew the Governmental Grant Agreement and continue to enjoy such governmental grants after the current Governmental Grant Agreement expires in 2020.

INCOME TAX CHARGE

The income tax charge of the Group increased by RMB23 million or 385% to RMB29 million. The effective tax rate was 16.3%, which was higher than that of 11.7% in the first half of 2010. The increase in effective tax rate was primarily due to the increase in the preferential tax rate applicable to a domestic subsidiary of the Group.

PROFIT FOR THE HALF-YEAR PERIOD

Sales volume decreased by 10% compared to the first half of 2010 and administrative expenses increased by RMB12 million period on period due to one-off fees related to the share listing and the incurrence of operation expenses of a newly established holding company. However, since the gross profit increased along with the increase of the average selling price of water per tonne as mentioned above and government grants increased as well, our net profit during the reporting period amounted to RMB148 million, representing an increase of RMB104 million or 232% from the same period last year.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company increased by RMB104 million, or 232%, from RMB44 million to RMB148 million, which was in line with the growth in net profit during the reporting period.

FINANCIAL POSITION

As at 30 June 2011, inventories, trade receivables, trade payables, deferred income tax assets, prepayments and advances from customers, and enterprise income tax payable of the Group amounted to RMB58 million, RMB111 million, RMB24 million, RMB35 million and RMB15 million, respectively (as at 31 December 2010: RMB32 million, RMB72 million, RMB15 million, RMB26 million and Nil, respectively). These increases were mainly attributable to seasonal fluctuation in sales. In addition, as at 30 June 2011, trade receivables totally RMB111 million mainly comprised receivables from one major client of RMB93 million, of which RMB80 million was collected in August 2011.

As at 30 June 2011, other trade receivables of the Group amounted to RMB17 million (as at 31 December 2010: RMB3 million). The increase was mainly attributable to the government grants receivable of RMB14 million.

As at 30 June 2011, restricted cash, cash and cash equivalents of the Group amounted to RMB77 million and RMB1,100 million, respectively (as at 31 December 2010: Nil and RMB35 million, respectively). The increase was mainly attributable to the proceeds from issuing new shares upon listing.

As at 30 June 2011, accruals and other payables of the Group amounted to RMB108 million (as at 31 December 2010: RMB125 million). Compared to 31 December 2010, share listing costs and expenses payable increased by RMB73 million but the total of accruals and other payables still decreased, which was mainly attributable to the decrease in the amounts due to related parties and amounts due to third parties arising from financing activities. In addition, the amounts due to related parties as at 30 June 2011 was fully settled in August 2011.

The Group's net current assets and net assets as at 30 June 2011 were RMB1,198 million and RMB1,491 million, respectively; and net current assets and net assets as at 31 December 2011 were RMB7 million and RMB283 million, respectively. The increase was mainly due to the increase in earnings and the proceeds from issuing new shares upon listing.

EMPLOYEES

As at 30 June 2011, the total number of employees for the Group was approximately 307 (as at 30 June 2010: approximately 214). Relevant staff cost was RMB14 million, while our staff cost was RMB6.4 million for the corresponding period of 2010. 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

As at 30 June 2011, the Group did not have any loan borrowings and the related gearing ratio is zero (as at 31 December 2010: zero).

MERGER AND ACQUISITION

Except for the reorganization of the Group as set out in the prospectus of the Company dated 20 June 2011 (the "Prospectus") which was completed in the first half of 2011, no acquisition or disposal of subsidiaries or associates was made by the Group.

SIGNIFICANT INVESTMENTS

During the first half of 2011, the Group acquired property, plant and equipment of approximately RMB11 million (during the first half of 2010: approximately RMB2 million). Regarding to the future plan for significant investments, please refer to "use of proceeds" of this report.

CAPITAL COMMITMENTS

The capital commitments of the Group as at 30 June 2011 were RMB3 million (as at 31 December 2010: RMB2.5 million).

CHARGES

As at 30 June 2011 and 31 December 2010, the Group did not have any asset charges.

CONTINGENT LIABILITIES

As at 30 June 2011 and 31 December 2010, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of its business transactions denominated in Renminbi. The Group is exposed to foreign exchange risk arising from exposure of Hong Kong dollars against Renminbi. The Group has not used any forward contracts or currency borrowings to hedge its foreign exchange risk.

USE OF PROCEEDS

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 HK\$1,272 million (after deducting underwriting commissions and related expenses). The net proceeds will be used in the following manner:

Purpose of net proceeds	Percentage	Amount of net proceeds HK\$ Million
Expand our production capacity by constructing additional facilities and purchasing additional production equipment	30%	382
Expand our distribution network and toward promotional activities	25%	318
Mergers and acquisitions that complement our existing business	35%	445
Working capital and other general corporate purpose	10%	127
	<u>100%</u>	<u>1,272</u>

Up to 30 June 2011, the Group has not utilized any of the net proceeds and the net proceeds were deposited in reputable financial institutions. The Directors intend to apply the net proceeds in the manner as set out in the Prospectus.

OUTLOOK

With increasing urban population and urban disposable income in China, growing health awareness among consumers, as well as rising demand for high-end branded products and luxurious goods, the premium bottled mineral water market in China will continue to grow rapidly. In addition, being one of the major enterprises in Tibet and an employer of ethnic Tibetans, we expect to gain support in various aspects from the government in the Tibet Autonomous Region.

For the above reasons, the Group will cherish our natural gift of water resources and strive to expand our distribution network, including channels for group purchases and water card sales, in order to enhance our brand awareness and become a global leading brand of premium bottled water.

Our directors are extremely confident in the Group's business development. By leveraging on our prudent financial policy and expansion strategies, together with our well-experienced and excellent management team, the Group is committed to utilize existing resources efficiently and will endeavor to increase investment return for shareholders.

The Board is accountable to the Company's shareholders for good corporate governance. Accordingly, the Board has considered carefully the requirements in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and has taken actions to further enhance corporate transparency and accountability.

We believe good corporate governance is also one of the critical factors for achieving sustainable long-term success. The corporate governance principles of the Company emphasise on the importance of a quality Board and accountability to shareholders. We will periodically review our corporate governance practices to ensure and maintain the long-term health of the Company.

On 30 June 2011, the Company has complied with the provisions of the Code.

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 the Directors have confirmed that they have complied with the Model Code on 30 June 2011. Specific employees who are likely to be in possession of unpublished price sensitive information have been requested to comply with the provisions of the Model Code. No incident of non-compliance was 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 also reviewed auditing, internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2011.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's unaudited interim financial information for the six months ended 30 June 2011 in accordance with 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 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



羅兵咸永道

TO THE BOARD OF DIRECTORS OF TIBET 5100 WATER RESOURCES HOLDINGS LTD.
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 16 to 37, which comprises the condensed interim consolidated balance sheet of Tibet 5100 Water Resources Holdings Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2011 and the related condensed interim consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flows statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2011

PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

**CONDENSED INTERIM
CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2011 and 2010

		Unaudited	
		Six months ended 30 June	
	Note	2011	2010
		RMB'000	RMB'000
Revenue	6	209,265	138,397
Cost of sales	12	(44,876)	(53,653)
Gross profit		164,389	84,744
Distribution costs	12	(32,390)	(29,509)
Administrative expenses	12	(18,888)	(6,520)
Other gains, net	11	65,984	2,203
Operating profit		179,095	50,918
Finance income		570	856
Finance costs		(2,647)	(1,188)
Finance costs, net		(2,077)	(332)
Profit before income tax		177,018	50,586
Income tax expense	13	(28,842)	(5,942)
Profit for the period		148,176	44,644
Profit attributable to:			
– Equity holders of the Company		148,176	44,644
		RMB Cents	RMB Cents
Earnings per share for profit attributable to the equity holders of the Company			
– Basic earnings per share	14	7.2520	2.1877
– Diluted earnings per share	14	7.2517	2.1877
Dividends	15	–	–

The notes on pages 23 to 37 form an integral part of these condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

INTERIM REPORT 2011
Tibet 5100 Water Resources Holdings Ltd.

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For the six months ended 30 June 2011 and 2010

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Profit for the period	148,176	44,644
Other comprehensive income:		
Foreign currency translation differences	385	6
Other comprehensive income for the period, net of tax	385	6
Total comprehensive income for the period	148,561	44,650
Total comprehensive income attributable to:		
– Equity holders of the Company	148,561	44,650
Total comprehensive income for the period	148,561	44,650

The notes on pages 23 to 37 form an integral part of these condensed consolidated interim financial information.

**CONDENSED INTERIM
CONSOLIDATED BALANCE SHEET**

At 30 June 2011 and 31 December 2010

	Note	As at 30 June 2011 RMB'000 Unaudited	As at 31 December 2010 RMB'000 Audited
Assets			
Non-current assets			
Land use rights	7	1,282	1,297
Property, plant and equipment	7	294,758	292,169
Deferred income tax assets		3,746	3,566
Prepayments		4,344	4,629
		<u>304,130</u>	<u>301,661</u>
Current assets			
Inventories		58,461	32,201
Trade receivables	8	111,067	71,991
Prepayments		16,406	16,680
Other receivables		17,348	2,570
Restricted cash		76,679	–
Cash and cash equivalents		1,100,236	34,783
		<u>1,380,197</u>	<u>158,225</u>
Total assets		<u><u>1,684,327</u></u>	<u><u>459,886</u></u>

	Note	As at 30 June 2011 RMB'000 Unaudited	As at 31 December 2010 RMB'000 Audited
Equity			
Equity attributable to equity holders of the Company			
Share Capital	10	20,791	–
Share Premium	10	1,038,085	–
Reserves	10	166,597	166,212
Retained earnings		265,055	116,879
Total equity		1,490,528	283,091
Liabilities			
Non-current liabilities			
Deferred income		11,550	11,550
		11,550	11,550
Current liabilities			
Trade payables	9	24,260	14,516
Deferred revenue and advance received from customers		34,797	26,050
Enterprise income tax payable		14,860	–
Accruals and other payables		108,332	124,679
		182,249	165,245
Total liabilities		193,799	176,795
Total equity and liabilities		1,684,327	459,886
Net current assets/(liabilities)		1,197,948	(7,020)
Total assets less current liabilities		1,502,078	294,641

The notes on pages 23 to 37 form an integral part of these condensed consolidated interim financial information.

**CONDENSED INTERIM
CONSOLIDATED CASH FLOWS STATEMENT**

For the six months ended 30 June 2011 and 2010

	Note	Unaudited	
		Six months ended 30 June	
		2011	2010
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations		124,230	(57,130)
Interest received		182	111
Income tax paid		(15,436)	(2,284)
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities		108,976	(59,303)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchases of property, plant and equipment ("PP&E")		(20,840)	(18,060)
		<hr/>	<hr/>
Net cash used in investing activities		(20,840)	(18,060)
		<hr/>	<hr/>
Cash flows from financing activities			
Cash (used in)/generated from financing activities with third parties		(30,677)	21,794
Repayment of amounts paid by the related parties on behalf of the Group to purchase equipment	16(a)	(60,532)	–
Repayment of amounts paid by the related parties on behalf of the Group for prepaid issuance cost	16(a)	(2,904)	–
Payment of issuance cost		(15,490)	–
Advances from related parties to pay insurance cost	16(a)	19,569	–
Net proceeds from issuance of ordinary shares in connection with the listing		1,069,185	–
Interest paid		–	(1,134)
		<hr/>	<hr/>
Net cash generated from financing activities		979,151	20,660
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		1,067,287	(56,703)
		<hr/>	<hr/>

	Unaudited	
	Six months ended 30 June	
Note	2011	2010
	RMB'000	RMB'000
Cash and cash equivalents at beginning of period	34,783	64,034
Exchange translation (losses)/gains on cash and cash equivalents	(1,834)	752
Cash and cash equivalents at end of period	1,100,236	8,083

The notes on pages 23 to 37 form an integral part of these condensed consolidated interim financial information.

**CONDENSED INTERIM CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY**

The six months ended 30 June 2011 and 2010

		Unaudited				
		Attributable to equity holders of the Company				
	Note	Share capital	Share premium	Reserves	Retained earnings	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011		-	-	166,212	116,879	283,091
Profit for the period		-	-	-	148,176	148,176
Other comprehensive income		-	-	385	-	385
Total comprehensive income for the period		-	-	385	148,176	148,561
Reorganisation	10(a)	-	-	-	-	-
Capitalisation issue	10(b)	16,971	(16,971)	-	-	-
Issuance of ordinary shares in connection with the listing	10(c)	3,820	1,142,045	-	-	1,145,865
Share issuance costs		-	(86,989)	-	-	(86,989)
At 30 June 2011		20,791	1,038,085	166,597	265,055	1,490,528
At 1 January 2010		-	-	150,458	14,431	164,889
Profit for the period		-	-	-	44,644	44,644
Other comprehensive income		-	-	6	-	6
Total comprehensive income for the period		-	-	6	44,644	44,650
Contribution from ultimate controlling shareholder		-	-	1,500	-	1,500
At 30 June 2010		-	-	151,964	59,075	211,039

The notes on pages 23 to 37 form an integral part of these condensed consolidated interim financial information.

For the six months ended 30 June 2011

1 GENERAL INFORMATION

Tibet 5100 Water Resources Holdings Ltd. (西藏 5100 水資源控股有限公司; 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, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the production and sales of premium bottled mineral water (the “Group’s Business”) in the People’s Republic of China (the “PRC”).

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 30 June 2011.

This condensed interim consolidated financial information is presented in Renminbi (“RMB”), unless otherwise stated. This condensed interim consolidated financial information was approved for issue on 29 August 2011.

2 BASIS OF PREPARATION

This condensed interim consolidated financial information for the six months ended 30 June 2011 has been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed interim consolidated financial information should be read in conjunction with the financial information of the Group for the year ended 31 December 2010 as set out in the Accountant’s Report included in the listing document issued by the Company dated 20 June 2011 (“Accountant’s Report”), which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those used in the financial information of the Group for the year ended 31 December 2010 as set out in the Accountant’s Report.

Exceptional items are disclosed and described separately in the financial information where it is necessary to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3 ACCOUNTING POLICIES (continued)

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- Amendment to IAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.
- IAS 24 (Revised), 'Related Party Disclosures' is effective for annual period beginning on or after 1 January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose the name of the government and the nature of their relationship, the nature and amount of any individually significant transactions, and the extent of any collectively-significant transactions qualitatively or quantitatively. It also clarifies and simplifies the definition of a related party. The revised standard is not relevant to the Group.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to IAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issues.
- Amendment to IFRIC - Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.
- IFRIC - Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB. Except for amendment to IAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

3 ACCOUNTING POLICIES (continued)

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. It is not expected to have a material impact on the Group's consolidated financial statements.
- IFRS 1 (amendment), 'First-time adoption of International Financial Reporting Standards', (effective from 1 July 2011). The amendments provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs, as well as provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The Group will apply these amendments for the financial reporting period commencing on 1 January 2012. It is not expected to have a material impact on the Group's consolidated financial statements.
- IAS 12 (Amendment) 'Deferred tax: Recovery of underlying assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. It is not expected to have a material impact on the Group's consolidated financial statements.
- IFRS 7 (Amendment) 'Disclosures — Transfers of financial assets' introduces new disclosure requirement on transfers of financial assets. It is not expected to have a material impact on the Group's consolidated financial statements.

4 ESTIMATES

The preparation of condensed interim consolidated financial statements 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 these condensed interim consolidated financial statements, 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 financial information of the Group for the year ended 31 December 2010 as set out in the Accountant's Report.

5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the financial information of the Group for the year ended 31 December 2010 as set out in the Accountant's Report.

There have been no changes in the risk management department since year end or in any risk management policies.

6 SEGMENT INFORMATION

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

The principle activities of the Group are manufacturing and sales of bottled mineral water product. Due to the simplicity of this business, the Group's daily operations are managed as one single segment, as management does not review the operating results by products, distribution channels or geographical areas to make decisions with respect to assets allocation and performance evaluation, nor does the Group prepare separate financial information by products, distribution channels or geographical areas. Therefore, the board of directors of the Group regards that there is only one segment which is used to make strategic decisions.

During the six months ended 30 June 2011 and 2010, revenue from the sales of bottled mineral water products amounted to approximately RMB209,265,000 and RMB138,397,000, respectively, of which approximately RMB69,133,000 is derived from a single external customer for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB105,026,000).

7 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

	Unaudited	
	Property, plant and equipment RMB'000	Land use rights RMB'000
Six months ended 30 June 2010		
Opening net book amount as at 1 January 2010	245,897	1,326
Additions	1,883	–
Depreciation and amortisation	(6,583)	(15)
	<u>241,197</u>	<u>1,311</u>
Closing net book amount as at 30 June 2010	<u>241,197</u>	<u>1,311</u>
Six months ended 30 June 2011		
Opening net book amount as at 1 January 2011	292,169	1,297
Additions	10,719	–
Depreciation and amortisation	(8,130)	(15)
	<u>294,758</u>	<u>1,282</u>
Closing net book amount as at 30 June 2011	<u>294,758</u>	<u>1,282</u>

8 TRADE RECEIVABLES

Trade receivables represent those due from third party customers with low default rates historically. The Group does not have formal contractual credit terms agreed with the third party customers but the trade receivables are usually settled within two months. As a result, the Group regards any receivable balance within a two-month credit period as not overdue. As at 30 June 2011 and 31 December 2010, the ageing analysis of the trade receivables was as follows:

	30 June	As at
	2011	31 December
	RMB'000	2010
	Unaudited	RMB'000
		Audited
Trade receivables		
Within 2 months	85,294	5,126
Over 2 months but within 6 months	4,836	66,353
Over 6 months but within 1 year	20,554	512
Over 1 year but within 2 years	383	–
	<hr/> 111,067 <hr/>	<hr/> 71,991 <hr/>
	<hr/> 111,067 <hr/>	<hr/> 71,991 <hr/>

As at 30 June 2011 and 31 December 2010, no trade receivables were impaired and provided for.

9 TRADE PAYABLES

As at 30 June 2011 and 31 December 2010, the ageing analysis of the trade payables based on invoice date was as follows:

	30 June	As at
	2011	31 December
	RMB'000	2010
	Unaudited	RMB'000
		Audited
Trade payables		
Within 45 days	15,039	5,552
Over 45 days but within 6 months	8,243	8,217
Over 6 months but within 1 year	672	–
Over 1 year but within 2 years	66	68
Over 2 years	240	679
	<hr/> 24,260 <hr/>	<hr/> 14,516 <hr/>
	<hr/> 24,260 <hr/>	<hr/> 14,516 <hr/>

10 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

	Number of ordinary shares (thousand)	Unaudited		Share premium RMB'000	Reserves RMB'000
		Nominal value of ordinary shares HK\$'000	Equivalent nominal value of ordinary shares RMB'000		
Opening balance 1 January 2010	-	-	-	-	150,458
Other comprehensive income	-	-	-	-	6
Contribution from Controlling Shareholder	-	-	-	-	1,500
At 30 June 2010	-	-	-	-	151,964
Opening balance 1 January 2011	-	-	-	-	166,212
Reorganisation (a)	10	-	-	-	-
Other comprehensive income	-	-	-	-	385
Capitalisation issue (b)	2,040,700	20,407	16,971	(16,971)	-
Issuance of ordinary shares in connection with the listing (c)	459,290	4,593	3,820	1,142,045	-
Share issuance costs	-	-	-	(86,989)	-
At 30 June 2011	2,500,000	25,000	20,791	1,038,085	166,597

- (a) The Company was incorporated on 8 November 2010 with one fully paid ordinary share at par value of HK\$0.01 allotted and issued to the subscriber, which was subsequently transferred to Tibet Water Resources Limited owned by the ultimate controlling shareholder of the Group on the same date. On 13 June 2011, by way of a share swap, the Company acquired the entire issued share capital of Tibet 5100 Water Resources Ltd. (西藏 5100 水資源有限公司) from its then shareholders by allotting and issuing a total of 9,999 ordinary shares of HK\$0.01 each to the existing shareholders of Tibet 5100 Water Resources Ltd. After the share swap, the Company became the holding company of the Group.

10 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (continued)

- (b) On 14 June 2011, 2,040,700,000 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK\$0.01 each to the entities whose name appear on the register of members of the Company in proportion to their then existing shareholdings in the Company, by capitalisation of HK\$20,407,000 (equivalent to approximately RMB16,971,000) from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued in connection with the listing of the Company's shares on the Stock Exchange.
- (c) On 30 June 2011, 459,290,000 ordinary shares (at par value of HK\$0.01 each) of the Company were allotted and issued at the price of HK\$3.0 per share in connection with the listing of the Company's shares on the Stock Exchange.

11 OTHER GAINS, NET

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Government grants (a)	65,041	2,432
Others	943	(229)
	<hr/>	<hr/>
	65,984	2,203
	<hr/> <hr/>	<hr/> <hr/>

- (a) According to Zang Zheng Ban 藏政辦 [1997] No 24, Zang Cai Qi Zi 藏財企字 [2010] No. 93 and La Kai Cai Zhu Zi 拉開財駐字 [2010] No. 29, the Group is eligible to subsidy income from the local government in relation to the domestic subsidiaries' fiscal contribution to the local economic development. The Group recognised such income of approximately RMB64,991,000 and nil for the six months ended 30 June 2011 and 2010 respectively. These government grants related to costs and are recognised in the condensed interim consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Other than the government grants mentioned above, the Group received certain subsidy from the local government and recognised subsidy income of RMB50,000 for rewarding the Group's performance in the industry where the Group operates for the six months ended 30 June 2011. During the six months ended 30 June 2010, the Group received and recognised RMB1,832,000 for compensating the interests paid for bank borrowings that were used as working capital, and RMB600,000 for rewarding the Group's performance in setting up the premium brand in the sales of the bottled water products.

12 EXPENSE BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Raw materials and consumables used	30,660	38,468
Decrease in the balances of inventories of finished goods	4,515	3,001
Transportation costs	24,140	28,925
Depreciation of PP&E (Note 7)	8,130	6,583
Employee benefit expenses	13,993	6,369
Advertising expenditure	2,912	309
Taxations	3,070	3,084
Electricity and other utility expenses	1,496	1,958
Repair and maintenance	637	44
Share issuance costs	6,556	–
Others	45	941
	<hr/>	<hr/>
	96,154	89,682
	<hr/> <hr/>	<hr/> <hr/>

13 INCOME TAX EXPENSE

The group entities incorporated in the PRC are subject to PRC enterprise income tax. One entity in the Tibet Autonomous Region of the PRC was entitled to preferential rates of 7.5% and 15% for the six months ended 30 June 2010 and 2011, respectively; other entities located in the Tibet Autonomous Region of the PRC were taxed at preferential rate of 15%; the remaining entities are taxed based on the statutory income tax rate of 25% for the six months ended 30 June 2010 and 2011 as determined in accordance with the relevant PRC income tax rules and regulations.

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current income tax	29,022	7,691
Deferred income tax	(180)	(1,749)
	<u>28,842</u>	<u>5,942</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 2011 is 15%.

14 EARNINGS PER SHARE

(a) Basic

Basic earnings per share for the period ended 30 June 2011 and 2010 is calculated by dividing the profit attributable to the equity holders of the Company by the deemed weighted average number of ordinary shares outstanding during the period.

14 EARNINGS PER SHARE (continued)

(a) Basic (continued)

The number of ordinary shares used for the calculation of earnings per share for the period ended 30 June 2010 is the aggregate number of shares which are outstanding as at 13 June 2011 which included the ordinary shares issued as part of the reorganisation and capitalisation (Note 10).

	Unaudited	
	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	148,176	44,644
Weighted average number of shares in issue (thousands)	2,043,248	2,040,710
Basic earnings per share (RMB cents per share)	<u>7.2520</u>	<u>2.1877</u>

(b) Diluted

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. For the six months ended 30 June 2011, the Company's contingently issuable ordinary shares under the over-allotment option relating to the public offering of the Company's shares was the sole category of dilutive potential ordinary shares.

	Unaudited	
	Six months ended 30 June	
	2011	2010
Profit attributable to equity holders of the Company (RMB'000)	148,176	44,644
Weighted average number of shares in issue (thousands)	2,043,248	2,040,710
Adjustment for over-allotment option (thousands)	<u>71</u>	<u>–</u>
Weighted average number of ordinary shares issued for diluted earnings per share (thousands)	2,043,319	2,040,710
Diluted earnings per share (RMB cents per share)	<u>7.2517</u>	<u>2.1877</u>

15 DIVIDENDS

No dividend has been declared by the Company or any of its subsidiaries in respect of the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

16 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is ultimately controlled by Mr. Wang Peter Jian (王堅先生).

(a) Transactions with related parties

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Amounts repaid to related parties who purchased equipment on behalf of the Group		
– Entities under common control	60,532	–
Issuance costs repaid to		
– Ultimate controlling shareholder	2,904	–
Advances from related parties to pay issuance cost –		
Entities under common control	19,569	–
	83,005	–

16 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

The Group had the following material balances with related parties:

	30 June 2011 RMB'000 Unaudited	As at 31 December 2010 RMB'000 Audited
Accruals and other payables		
– Entities under common control of controlling shareholder	19,569	60,532
– Ultimate controlling shareholder	–	2,904
	<u>19,569</u>	<u>63,436</u>
	<u><u>19,569</u></u>	<u><u>63,436</u></u>

The payable balances are unsecured, interest free and have no fixed terms of repayment. All of the outstanding balances as at 30 June 2011 have been subsequently settled in August 2011.

(c) Key management compensation

The compensation paid/payable to key management is shown below:

	Unaudited Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Basic salaries	2,927	1,500
Mandatory pension	37	–
	<u>2,964</u>	<u>1,500</u>
	<u><u>2,964</u></u>	<u><u>1,500</u></u>

17 COMMITMENT

(a) Capital commitments

As at 30 June 2011 and 31 December 2010, capital expenditures contracted for at the end of the reporting period but not yet incurred were as follows:

	30 June	As at
	2011	31 December
	RMB'000	2010
	Unaudited	RMB'000
		Audited
Property, plant and equipment	2,996	2,549

(b) Operating lease commitments

The Group leases offices and plants under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	30 June	As at
	2011	31 December
	RMB'000	2010
	Unaudited	RMB'000
		Audited
No later than 1 year	1,951	594
Later than 1 year and no later than 5 years	3,469	1,701
	5,420	2,295

18 SEASONALITY OF OPERATIONS

The sales of the Group are subject to seasonal fluctuations, with peak demand in the third quarter of the year. This is due to the increasing consumption of bottled water by the end customers in the hot weather in the third quarter of the year. In the financial year ended 31 December 2010, 38% of revenue accumulated in the first six months of the year, with 62% accumulating in the following six months.

19 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- (a) On 5 July 2011, by exercise of over-allotment option, 68,893,000 additional ordinary shares (“Over-allotment Shares”) (at par value of HK\$0.01 each) of the Company were allotted and issued at the price of HK\$3.0 per share, and listing of and dealing in such Over-allotment Shares commenced on the Main Board of the Stock Exchange on 8 July 2011. Immediately after the issue and allotment of the Over-allotment Shares by the Company, the number of the ordinary shares of the Company has been increased to 2,568,893,000 shares, and the share capital of the Company has been increased to HK\$25,688,930 (equivalent to approximately RMB21,357,776) accordingly.
- (b) On 15 July 2011, the Group entered into a replacement procurement agreement with China Railway Express Co., Ltd. (“CRE”) to replace the original CRE procurement agreement. Pursuant to the CRE replacement procurement agreement, the purchase of bottled mineral water from the Group each year from 1 January 2011 to 31 December 2013 by CRE would decrease from 75,000 tonnes to 50,000 tonnes annually. In addition, the obligation of the Group to provide ‘buy-one-get-one-free’ arrangement attached to the original CRE procurement agreement, of which the Group was required to provide an annual 75,000 tonnes of bottled mineral water for free, has been waived by CRE. As such, under this revised arrangement, the revenue recognition policy relating to the delivery of free goods is not applicable to the Group. The replacement procurement agreement has retrospective effect with the term starting from 1 January 2011. Accordingly, the relevant books and records have been adjusted, with retrospective effect with the term starting from 1 January 2011.

INTERESTS OF DIRECTORS

As at 30 June 2011, none of the directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 30 June 2011, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Long/short position	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of shareholding
Tibet Water Resources Limited (Note 1)	Long position	Beneficial owner	1,310,137,000 shares	52.41%
			220,396,000 underlying shares	8.82%
Maple Essence Investments Limited (Note 2)	Long position	Interest of controlled corporation	1,310,137,000 shares	52.41%
			220,396,000 underlying shares	8.82%
Green Highland Investments Limited (Note 3)	Long position	Beneficial owner	510,177,000 underlying shares	20.41%
Maple Vic Investments Limited (Note 4)	Long position	Interest of controlled corporation	510,177,000 underlying shares	20.41%
True Asset Holdings Limited (Note 5)	Long position	Interest of controlled corporation	1,310,137,000 shares	52.41%
			730,573,000 underlying shares	29.22%
Mr. Wang Peter Jian (Note 5)	Long position	Interest of controlled corporation	1,310,137,000 shares	52.41%
			730,573,000 underlying shares	29.22%
Mr. Ye Shunjian (Note 6)	Long position	Interest of controlled corporation	236,722,000 shares	9.47%

Name	Long/short position	Capacity/Nature of interest	Number of shares/ underlying shares	Approximate percentage of shareholding
Hongkong Raventon Company Limited (Note 6)	Long position	Beneficial owner	236,722,000 shares	9.47%
Central Huijin Investment Ltd. (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
China Construction Bank Corporation (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
CCB International Group Holdings Limited (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
CCB Financial Holdings Limited (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
CCB International (Holdings) Limited (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
CCB International Asset Management (Cayman) Limited (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
CCB International Asset Management Limited (Note 7)	Long position	Interest of controlled corporation	163,257,000 shares	6.53%
Bai Jun Limited (Note 7)	Long position	Beneficial owner	163,257,000 shares	6.53%

Notes:

- (1) Tibet Water Resources Limited is held as to 98.67% by Maple Essence Investments Limited, which is in turn held as to 90% by True Asset Holdings Limited. Tibet Water Resources Limited holds 1,310,137,000 shares in the Company and is also deemed to be interested in 220,396,000 underlying shares in the Company pursuant to the put options granted by Tibet Water Resources Limited to three investors, namely, China Guizhou Maotai Brewery Trading (H.K.) Limited, Victory Ride Holdings Limited and Heartland Capital Management Limited, prior to the listing of the shares of the Company under the respective agreements for the sale and purchase. Pursuant to the terms of the said agreements, the said three investors are entitled to put to Tibet Water Resources Limited their shares which in aggregate would amount to a maximum of 220,396,000 shares in the Company, in the event (i) the shares of the Company cannot be listed in Hong Kong by 31 December 2011 (in respect of all three said investors), (ii) the Company's profit after tax for 2011 is less than HK\$350,000,000 (in respect of all three said investors) or (iii) Tibet Water Resources Limited commits a material breach to the sale and purchase agreement it entered into with the relevant investors or the 2011 audited accounts of the Company or the Group have not been issued by 30 June 2012 as the result of a major accident on the part of our Group, which is not attributable to an act or omission of the investors (in respect of China Guizhou Maotai Brewery Trading (H.K.) Limited and Victory Ride Holdings Limited only). For details, please refer to "History and Corporate Structure" section of the Prospectus.

- (2) Maple Essence Investments Limited holds 98.67% equity interest in Tibet Water Resources Limited and is therefore deemed to be interested in the 1,310,137,000 shares and 220,396,000 underlying shares in the Company in which Tibet Water Resources Limited is interested. Maple Essence Investments Limited is held as to 90% by True Asset Holdings Limited and as to 10% by Springhead Investments Limited. True Asset Holdings Limited is wholly owned by Mr. Wang Peter Jian while Springhead Investments Limited is owned as to 50% by Mr. Yu Yiping Wallace, a director of the Company, and as to 50% by Ms. Li Xiao Bing, spouse of Mr. Yu Yiping Wallace.
- (3) Green Highland Investments Limited is a wholly-owned subsidiary of Maple Vic Investments Limited which is in turn held as to 90% by True Asset Holdings Limited. Green Highland Investments Limited is deemed to be interested in 510,177,000 underlying shares in the Company pursuant to the put options granted by Green Highland Investments Limited to five investors, namely, Hongkong Raventon Company Limited, Bai Jun Limited, Highland Broadview Investment Ltd., Big Linkage Limited and Fantastic World Investments Limited, prior to the listing of the shares of the Company under the respective agreements for the sale and purchase. Pursuant to the terms of the said agreements, the said five investors are entitled to put to Green Highland Investments Limited their shares which in aggregate would amount to a maximum of 510,177,000 shares in the Company, in the event (i) the shares of the Company cannot be listed in Hong Kong by 31 December 2011 (in respect of all five said investors), (ii) the Company's profit after tax for 2011 is less than HK\$350,000,000 (in respect of all five said investors) or (iii) Tibet Water Resources Limited commits a material breach to the sale and purchase agreement it entered into with the relevant investors or the 2011 audited accounts of the Company or the Group have not been issued by 30 June 2012 as the result of a major accident on the part of our Group, which is not attributable to an act or omission of the investors (in respect of Bai Jun Limited only). For details, please refer to "History and Corporate Structure" section of the Prospectus.
- (4) Maple Vic Investments Limited holds 100% equity interest in Green Highland Investments Limited and is therefore deemed to be interested in the 510,177,000 underlying shares in which Green Highland Investments Limited is interested. Maple Vic Investments Limited is held as to 90% by True Asset Holdings Limited and as to 10% by Springhead Investments Limited. True Asset Holdings Limited is wholly owned by Mr. Wang Peter Jian while Springhead Investments Limited is owned as to 50% by Mr. Yu Yiping Wallace, a director of the Company, and as to 50% by Ms. Li Xiao Bing, spouse of Mr. Yu Yiping Wallace.
- (5) True Asset Holdings Limited holds 88.8% equity interest in Tibet Water Resources Limited through Maple Essence Investments Limited and holds 90% equity interest in Green Highland Investments Limited through Maple Vic Investments Limited. True Asset Holdings Limited is wholly-owned by Mr. Wang Peter Jian. Therefore, True Asset Holdings Limited and Mr. Wang Peter Jian are deemed to be interested in 1,310,137,000 shares and 510,177,000 underlying shares in the Company in which Tibet Water Resources Limited and Green Highland Investments Limited are interested.
- (6) Hongkong Raventon Company Limited is owned as to 85% by Mr. Ye Shunjian.
- (7) Bai Jun Limited is a wholly-owned subsidiary of CCB International Asset Management Limited, which is wholly-owned by CCB International Asset Management (Cayman) Limited, and CCB International Asset Management (Cayman) Limited is in turn wholly-owned by CCB International (Holdings) Limited, and CCB International (Holdings) Limited is in turn wholly-owned by CCB Financial Holdings Limited, and CCB Financial Holdings Limited is in turn wholly-owned by CCB International Group Holdings Limited, and CCB International Group Holdings Limited is in turn wholly-owned by China Construction Bank Corporation, and China Construction Bank Corporation is held as to 57.1% by Central Huijin Investment Ltd.. Therefore, all of Central Huijin Investment Ltd., China Construction Bank Corporation, CCB International Group Holdings Limited, CCB Financial Holdings Limited, CCB International (Holdings) Limited, CCB International Asset Management (Cayman) Limited and CCB International Asset Management Limited are deemed to be interested in all 163,257,000 shares held by Bai Jun Limited.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

On 30 June 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

UPDATE ON DIRECTORS' INFORMATION

Changes in the information of the director of the Company since the date of the Prospectus of the Company dated 20 June 2011 are set out as below:

Mr. Lee Kong Wai, Conway (*Independent Non-executive Director*)

Mr. Lee was elected as independent director of CITIC Securities Company Limited, a company listed on the Shanghai Stock Exchange, on 26 August 2011. Such appointment is subject to the approval from the China Securities Regulatory Commission.

EXECUTIVE DIRECTORS

Mr. Yu Yiping Wallace (*Chairman*)
Mr. Fu Lin (*Chief Executive Officer*)
Mr. Yue Zhiqiang
Ms. Mou Chunhua
Mr. Liu Chen

NON-EXECUTIVE DIRECTOR

Ms. Jiang Xiaohong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jesper Bjoern Madsen
Mr. Lee Kong Wai, Conway
Mr. Wei Cheng, Kevin

COMPANY SECRETARY

Mr. Chow Wai Kit

AUTHORISED REPRESENTATIVES

Mr. Chow Wai Kit
Mr. Liu Chen

INDEPENDENT EXTERNAL AUDITORS

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISOR

Sit, Fung, Kwong & Shum Solicitors

COMPLIANCE ADVISOR

Celestial Capital Limited

INVESTOR RELATIONS CONSULTANT

PR Concepts Asia Limited

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman, KY1-1111
Cayman Islands

**HEADQUARTERS AND PRINCIPAL PLACE OF
BUSINESS IN HONG KONG**

Room 3401, 34th Floor, China Resources Building
No. 26 Harbour Road, Wanchai
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER
OFFICE**

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman, KY1-1111
Cayman Islands

WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.5100.net>
<http://www.hkexnews.hk>

STOCK CODE

1115

